



## NEWS: INTERNATIONAL

## INTERNATIONAL NEWS DIGEST

## Israelis 'would give concessions'

A growing number of Israelis would accept concessions in east Jerusalem and on the occupied Golan Heights in return for full peace with the Palestinians or Syria, said an opinion poll published yesterday. The Gallup poll of 504 Jewish Israelis published in the daily Ma'ariv newspaper was taken on Tuesday, one day before suicide bombers killed 13 in Jerusalem.

Israelis were asked what concessions they would make in east Jerusalem "assuming the Jerusalem issue must be resolved in order to reach a real peace" with the Palestinians. Some 73 per cent would agree to concessions in the city; 30 per cent said they would be willing to transfer parts of east Jerusalem to Palestinian sovereignty. An additional 22 per cent said they would agree to a Palestinian capital in Arab neighbourhoods on the city's outskirts.

Ari Mochlis, Jerusalem

## GERMAN ECONOMY

## Coalition firm on tax reforms

Germany's governing coalition yesterday reiterated its determination to secure sweeping tax reforms, despite the collapse this week of talks with the opposition Social Democratic party. Mr Wolfgang Schäuble, parliamentary leader of Chancellor Helmut Kohl's Christian Democratic/Christian Social Union alliance, said: "The tax reform will come. If not now, then in 2000 at the latest."

The Bonn government had planned tax cuts worth up to DM30bn (\$16bn) from 1999. Mr Peter Hausmann, government spokesman, said fresh negotiations with the SPD set for September had a "good chance" because the opposition party was aware of the impact this week's setback would have on industry.

Ralph Atkins, Bonn

## SPANISH GDP

## Growth of 3.4% forecast

Spain's centre-right government yesterday revised this year's gross domestic product growth upwards from 3 per cent to 3.2 per cent and forecast growth of 3.4 per cent in 1998, up on the original estimate of 3.3 per cent. The projections put the domestic economy well on track for next year's planned start up of the European Union's single currency and suggest that it is ahead of convergence targets for fiscal discipline through to 2000.

Mr Rodrigo Rato, economy minister, said buoyant prospects allowed further inroads on the consolidated budget deficit, due to come down from 4.4 per cent of GDP in 1996 to 3 per cent this year.

Tom Burns, Madrid

## THAI CURRENCY

## Rating may be downgraded

Credit rating agency Standard & Poor's may downgrade its rating of the Thai currency, citing the growing problem of loan losses in the financial sector which may impose a financial burden on the government.

S&P currently rates Thailand's currency, the baht, at a rating of single-A, though yesterday it placed the unit on creditwatch with negative implications, meaning a downgrade is possible. S&P said that the possibility of a downgrade for Thailand would be resolved over the next month, and would be based on a number of factors, including the government's financial sector restructuring package and proposed economic stabilisation and reform programme with the IMF, due to be announced next week.

Ted Barocke, Bangkok

## ALBANIA CONFERENCE

## PM pledges reform

Albanian prime minister Fatos Nano has reaffirmed his government's commitment to reform following an international donors conference in Rome attended by 35 countries and international organisations.

The final communiqué from the conference emphasised the importance of the restoration of law and order after months of anarchy and stressed the importance of sound democratic governance. Mr Nano, whose Socialist party triumphed in June's elections, pledged his government would overhaul the army, police and the financial institutions.

The opposition Democratic party has pledged to continue the boycott of parliament in protest at the government's policies.

Matej Vipotnik, London

## Khatami set to take reins in Iran

But opposition sniping continues to trouble president-elect, writes Robin Allen

Nails on the road and knife thrusts from the shadows are ancient companions to anyone running the marathon for Iran's highest political office.

The progress of Mr Mohammad Khatami, the reformist president-elect who won a surprise landslide victory over his conservative opponents in national elections in May, has been in every way consistent with this tradition. Opposition sniping continues even as Mr Khatami enters the stadium for his final lap of honour.

Tomorrow Mr Khatami will be sworn in by Iran's spiritual leader, Ayatollah Ali Khamenei. On Monday the new president will take the oath of office before the 270-member *majlis* (parliament), to which, within two weeks, he must submit his proposed cabinet list for approval; and where his arch-rivals, the conservatives, form the largest single grouping.

This week they and others among Mr Khatami's opponents gave him a taste of what they could do.

On Tuesday Mr Khatami's old friend and associate from the early days of the revolution, Mr Hossein Shahneghi, was publicly humiliated when he arrived at Tehran's Mehrabad airport on a flight from Paris, where he lived, armed with a personal invitation from the future president to attend the ceremonies.

Airport police detained the hapless Mr Shahneghi, and under the watchful eyes of members of at least five other security agencies

unceremoniously put him on the first flight back to Paris. The same day police invaded Tehran's municipality, the stronghold of Mr Gholamhossein Karbaschi, the dour and controversial mayor who is one of Mr Khatami's close supporters. They arrested four senior officials on corruption charges, including Mr Karbaschi's de facto number two, responsible for finance and administration.

On Wednesday prominent conservative MPs warned Mr Khatami not to be so secretive about his cabinet nominees, and to consult the *majlis* in advance if he wanted its approval.

Since his electoral victory on May 23 Mr Khatami has gone some way to stroke the egos of actual or potential opponents.

He made an early conciliatory visit to senior Shia purists at the holy city of Qom, south of Tehran, and he has kept in close touch with Ayatollah Khamenei, who has a strong say over Iran's foreign policy, controls the bonyad, the powerful and autonomous state foundations, and is titular head of Iran's Revolutionary Guards Corps.

Public interest in Mr Khatami's cabinet has centred on four key ministries: foreign affairs, interior, information (the de facto intelligence ministry), and Islamic guidance (information in any other country) and culture.

According to some observers, Mr Khatami will run this last ministry himself and appoint "supervisors" to the others if he does not get his way.



Khatami: won big poll victory over conservative opponents

Favourite to be the next foreign minister is Iran's ambassador to the UN, Mr Kamal Kharazi. An alternative could be Mr Mohammad Hashemi, a US graduate and previous director-general of the foreign ministry who is also the brother of the outgoing president.

The incumbent foreign minister, Mr Ali Akbar Velayati, who publicly supported Mr Khatami's opponent last May, "is out to an extended lunch and not expected back in the office", according to one seasoned wit in Tehran. A paediatrician by profession, Mr Velayati is expected to be put in charge of a hospital; not just any hospital, but one located in Tehran's wealthy northern suburb.

Among those tipped for the post of interior minister are Mr Abdullah Nouri, head of the reformist faction in parliament, Mr Mohammad Khomeini, a left-wing cleric best known for having led the 1979 "students" occupation of the US embassy, and Mr Majid Ansari, a moderate cleric MP.

Some observers suggest Mr Nouri or Mr Khomeini may be put in charge of the intelligence ministry, now run by Mr Ali Fallahian, best known in the west for being on the receiving end of a German indictment in connection with the bombing of the Mykonos cafe in Berlin. "But the cabinet," explained one Tehran commentator, "can only implement laws and guidelines. It

will not be a policy-making body."

Mr Khatami may enjoy the support of most of the Iranian people, but his opponents control much of the system, the bureaucracy and levers of power set up by Ayatollah Khomeini after the 1979 revolution which operate parallel to, and often independent of, the conventional government.

These power centres include a recently enlarged Expediency Council, to be headed by the outgoing president, Mr Hashemi Rafsanjani, which can make and unmake laws on the basis of what is "expedient" in the national interest; the National Security Council, which initiates and vets foreign policy; the *majlis*, which has already set the guidelines for domestic economic "restructuring"; the Council of Guardians, which has the power to reject laws passed by the *majlis*; and the Council of Experts, consisting mainly of clerics, which in theory is the country's highest supervisory authority.

Observers agree that at the very least Mr Khatami has to win over the *majlis*. Left isolated from all these power centres, Mr Khatami and his cabinet would be "matchwood", the more so because he already faces the danger of disappointing the exaggerated and conflicting expectations of the 20m people who voted for him.

On the other hand, other centres of power cannot ignore the scale of public support for Mr Khatami. How successful he is will depend on how shrewdly he exercises his authority.

## Germany braces for more floods

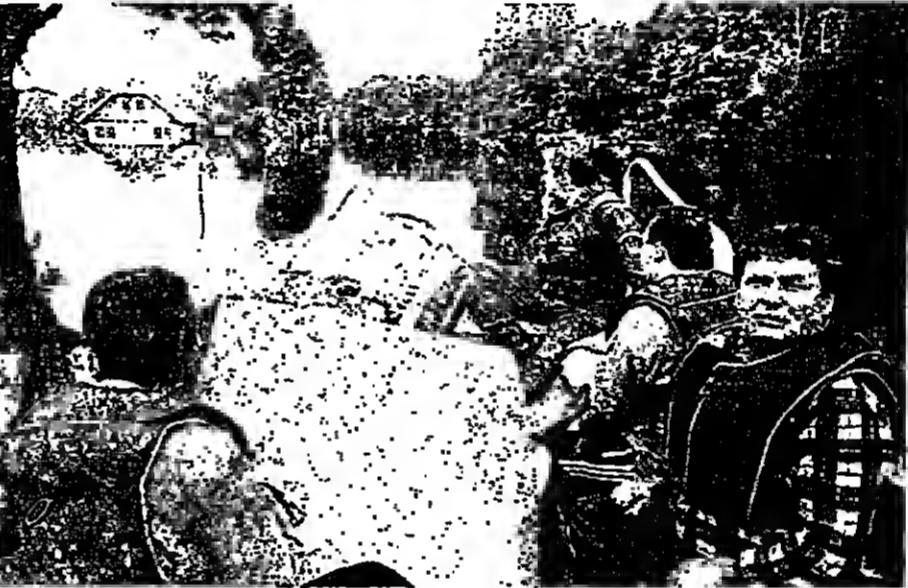
By Ralph Atkins in Bonn

Eastern Germany was last night braced for further dramatic flooding as more than 10,000 soldiers, working up to 12-hour shifts, fought an increasingly frantic battle to prevent further breaches in the defences of the River Oder.

Flooding south of Frankfurt an der Oder on the border with Poland has already submerged villages and farms across 50 sq km. More than 7m sandbags have been used to strengthen dykes in the Oderbruch area north of Frankfurt a new line of defences, 3.5 km long and 5 metres high, was being built near the village of Rietz to limit possible damage.

Increasing numbers of long cracks emerged yesterday in dykes in Oderbruch - a low-lying area reclaimed in the 18th century.

The crisis has lasted more than two weeks and has seen the largest military deployment



German border police ferry a rescued householder and items of furniture from his house in Aurth yesterday. The village had to be evacuated after a dyke burst on the River Oder last week, flooding some 50 square kilometres of land

ment in Germany for more than 30 years. Further measures will be considered by the Cabinet in Bonn on Tuesday.

Ms Monika Wulf-Mathies, European Union regional affairs commissioner, who visited the region yesterday, promised DM3m (\$1.63m)

of immediate help. Ms Wulf-Mathies added that a further DM8m could be made available later for rebuilding work.

## Romanian minister threatens to quit

By Anatol Lieven

Romania's trade and industry minister threatened to resign yesterday over what he said were attempts to delay the privatisation and restructuring of the oil industry.

Mr Calin Popescu Tariceanu's move came as the Romanian government for the second time postponed the announcement of budget cuts and a new list of bankrupt state companies scheduled for liquidation.

On Thursday President Emil Constantinescu threatened to carry out a government reshuffle if certain unnamed ministers continued to oppose the closure of indebted industries.

"Reform at the level of enterprises has not started yet, and that is the core of reform, where people are affected by lay-offs," the president said. However, he expressed confidence in the reformist prime minister, Mr Victor Ciorbea.

Mr Paul Thomsen, IMF vice-president, is in Romania to gather information for a decision on the next \$60m tranche of a \$430m loan package approved in April. Mr Thomsen has prolonged his stay by a week, apparently because of the difficulty the Romanian government is having in agreeing on cuts demanded by the IMF and World Bank.

IMF representatives are also reported to be unhappy with increased defence spending consequent on the Romanian drive to enter Nato.

Western analysts in Bucharest think the tranche will almost certainly be granted because of the progress the new Romanian government has made in bringing in new laws and in freeing prices, but the reform process is becoming increasingly politically painful. This week trades union leaders stormed out of a meeting with Mr Ciorbea after he refused their demands.

Mr Tariceanu's resignation threat is also linked to the IMF mission. He has been opposing IMF proposals that a planned national oil company should include only one of Romania's 11 oil companies, with the rest being privatised or shut down. He wants at least two to be preserved, saying that otherwise Romania's pipeline infrastructure would be underused and might break down.

The IMF fears the state-owned refineries, which are responsible for a large share of Romania's company debt, will go on drawing state subsidies and make balancing the budget impossible.

## Yeltsin seeks Moscow talks on Abkhazia

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, intends to invite the leaders of Georgia and the secessionist region of Abkhazia for talks in Moscow, as the deadline expired this week for withdrawal of 1,500 Russian peacekeeping troops stationed in Abkhazia.

The diplomatic initiative is an attempt to ensure that a simmering conflict in the Caucasus does not flare up into renewed hostilities. The Russian troops, which show no sign of imminent withdrawal, were first deployed in the region in 1994 after a ferocious secessionist struggle, in which 10,000 people were killed and 150,000 forced to become refugees.

Mr Eduard Shevardnadze, the Georgian president and former Soviet foreign minister, has refused to renew the mandate for the Russian peacekeeping mission, which operates under the auspices of the Commonwealth of Independent States. Georgian nationalists still resent Russian support for Abkhazia during the war and doubt whether Moscow can act as an honest broker.

The Georgian national security council said yesterday it would prefer a UN-sanctioned peacekeeping force to move into the region but would not force out Russian troops. It added that Georgia was making "moral

and military" preparations to restore its territorial integrity by force if the situation deteriorated. Mr Yeltsin said Russia was prepared to withdraw its peacekeeping troops as soon as progress was made towards a peaceful settlement. "We do not intend to keep peacekeepers in Abkhazia for a long time. We want that everything there will be solved in a quiet and peaceful way, that Georgia will be a single united state but that at the same time there will be a large degree of independence for Abkhazia," Mr Yeltsin said. Russia also retains three military bases, with an estimated 20,000 troops, in the rest of Georgia - although Mr Shevardnadze has been pressing Moscow to close them.

The Caucasus are rapidly acquiring great strategic significance as Azerbaijan begins to exploit the vast oil reserves under the Caspian Sea and pipelines are built to transport oil to ports on the Black Sea. Russia has adopted an increasingly conciliatory role in attempting to resolve several outstanding disputes in the region. But Mr Genady Zhigunov, Russia's Communist party leader, yesterday denounced Mr Yeltsin for allowing Russia to be "squeezed out of the Caucasus". "Western states should be made aware that this is a zone of Russia's geopolitical interests," he said.

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## NEWS: INTERNATIONAL

Clinton greets Azerbaijan's leader to celebrate \$10bn Caspian development plan

## Oil fuels American cheers for an ex-Communist

By Bruce Clark in Washington

For President Heydar Aliyev, a man with a sharp, instinctive understanding of the importance of diplomatic niceties and the hard political realities that lie behind them, yesterday was a day of sweet vindication.

Nearly a decade after he was forced to quit the Soviet political arena by the reforming zeal of Mr Mikhail Gorbachev, not only on health grounds, but really because he belonged to a rival faction in the Communist elite, a very fit-looking Mr Aliyev was feted at the White House as

leader of the independent and potentially wealthy nation of Azerbaijan.

His meeting with President Bill Clinton, and the signature of a series of oil deals valued by Azeri officials at \$10bn, was the climax of a visit that has confirmed Azerbaijan's paradoxical status as one of the most eagerly courted, and roughly treated, partners of the US.

While details of the oil deals with Exxon, Chevron and Mobil were being kept confidential, they are reported to include production-sharing arrangements for the extraction of up to 250m

tonnes of Caspian crude.

This helps to explain why US political and corporate leaders are giving him a welcome whose lavishness exceeds that which his old rivals, Mr Boris Yeltsin and Mr Eduard Shevardnadze, get when they come to Washington as leaders of Russia and Georgia.

On the other hand, pressure by the well-organised Armenian-American community has helped ensure that Azerbaijan is the only country - apart from a half-dozen pariahs, such as Iran and Libya - that is barred from receiving US humanitarian aid.

Mr Clinton assured his guest

that his administration would like to see section 907 of the Freedom Support Act - which bars aid to Azerbaijan as long as it restricts the flow of goods to Armenia - removed as quickly as possible.

But in Mr Aliyev's homeland, where the separation of powers between executive and legislature is not quite as well developed as it is in Washington, the US government's powerlessness before Congress is hard to understand.

The visiting president said this week he was determined to return to his home city of Baku

with news that the amendment would be rescinded, and the prospect of a settlement of the Azeri-Armenian conflict by the end of this year.

He was speaking at a dinner in Washington's Building Museum - a fabulous construction of golden arches and towering marble pillars, with a passing resemblance to an Oriental palace - where the cream of Washington's political and business elite heaped praise on Mr Aliyev as a fighter for independence.

Mr Richard Armitage, who was a senior official of the Reagan administration and its struggle

against the evil empire, presented the 74-year-old leader with a model eagle - "a symbol of freedom and strength" - and hailed his efforts to throw off "the shackles of communism".

An ever-growing number of Washington dignitaries, from Mr John Sununu, the former White House chief of staff, to Mr Brent Scowcroft, the former national security adviser, have espoused the cause of Azerbaijan and its importance to US oil companies.

Over the weekend, President Aliyev will be guided around the oil wells and futuristic pleasure domes of Houston, the home city

of Exxon which is one of the most important players in the extraction of the Caspian Sea's vast energy reserves. On Monday, it will be Chicago's turn to lay out the red carpet.

But students of Mr Aliyev's career as a general in the Azeri KGB, Brezhnev loyalist and artful player of geopolitics should take note; in a bewildering variety of roles, he has generally proved far too clever for those who thought they could make him an instrument of their purposes. Ask any of his Politburo colleagues who has had the last laugh.

## Turkey's Islamists renew protests

By John Barmham in Ankara

Islamists took to the streets yesterday in cities throughout Turkey in a series of apparently co-ordinated anti-government demonstrations attacking planned education reforms which would stamp out Islamist influence in schools.

About 500 protesters gathered outside Istanbul's historic Beyazit mosque after prayers chanting "religious schools cannot be closed" and "the Islamic movement cannot be stopped". Police broke up the protest, chasing demonstrators and detaining at least 20.

Another 400 protesters from a mosque in the city's Islamist stronghold of Fatih clashed with police.

Islamists also held demonstrations at three other mainly traditionalist cities. Some gave the salute of the IBDA-C Islamist guerrilla group.

The government has accused the Islamist Welfare Party of Mr Necmettin Erbakan, the former prime minister who was forced from office in June, of fomenting unrest.

On Tuesday thousands of protesters jammed the centre of Ankara for seven hours and tried to march on the education ministry and the Turkish military high command. Police used water cannon, armoured cars and baton charges to break up the demonstration and arrested more than 60 people.

The education reforms of the new minority secularist coalition of Mr Mesut Yilmaz, prime minister, have become Turkey's most contentious political issue. The government's decision last week to extend compulsory education from five to eight years will curtail enrolment in religious Imam Hatip schools that have become increasingly popular.

Education reform is a central feature of a government and army strategy to reduce the growing influence of Islamists, which they fear threatens the increasingly fragile 74-year-old secular state. A prosecutor has asked the constitutional court, Turkey's highest tribunal, to close down Welfare for agitating against the secular state and to ban Mr Erbakan from political life.

However, Mr Oguzhan Asiltürk, a senior Welfare MP, warned yesterday that "without Welfare there is no force to prevent the provocations turning into rivers of blood. We are preventing this".

A car bomb exploded yesterday 200km east of Ankara, apparently planted by Islamists in an attempt to free eight comrades being driven to court in a security van.

The government's Anatolian news agency reported that three guards and a prisoner were hurt in the attack. None of the prisoners escaped. The men are on trial for their lives, accused of plotting to form an armed group to overthrow the secularist state.

## Turmoil in Kenya markets after IMF loan suspension

Investors see other donors moving against Moi regime

By Michele Wrong in Nairobi

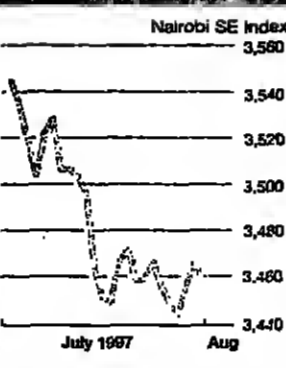
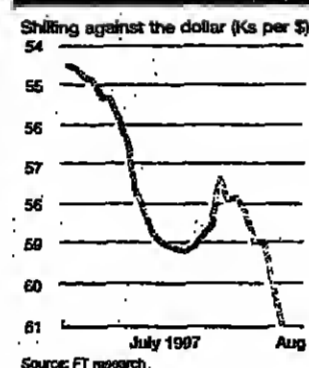
The International Monetary Fund's decision to suspend Kenya's loan programme triggered alarm in the country's markets yesterday, with foreign investors scrambling to dump equities and treasury bonds as the currency plummeted.

Despite an appeal by Mr Michael Chesereem, governor of the central bank, for investors to behave responsibly, the news that the IMF loan had collapsed because of the government's failure to tackle corruption hit investor confidence as soon as markets opened.

The shilling, which closed on Thursday at 69 to the dollar, touched 65 in the morning, its lowest point for four years, but later rallied to close at 61. The Nairobi Stock Exchange saw unusually high turnover, with the 20-share index falling 13.68 points to stand at 3453.38.

Worst affected was the fixed-interest market, as foreign investors sold Ks250m (\$4.1m) worth of central bank treasury bonds, compared with a total of

Kenya: the slide continues



Ks13.35m sold during the whole of last week.

"This has been one of my worst days," said Mr John Munge, a Nairobi broker. "Foreign investors keep ringing up asking whether the country's whole macro-economic reform programme could go into reverse."

"They want to know how had the falling-out between Kenya and the IMF and how long it is going to take to get back to the drawing board. Unless someone at senior government level issues a clear policy state-

ment the market is going to remain very nervous."

Analysts said much of the market reaction was prompted by expectations that bilateral donors and the World Bank would also freeze assistance, putting a brake on economic growth.

But western donors kept a discreet silence yesterday, admitting only to being "very disappointed" by the Kenyan government's failure to satisfy IMF concerns.

The loan suspension came after President Daniel arap Moi over-ruled Mr Musalia

Mudavadi, his finance minister, who had earlier agreed to reinstate the dismissed commissioner of customs and excise.

Widely regarded as a lynchpin in the fight against corruption, Mr Samuel Chebil's dismissal last week - bypassing the supposedly independent Kenya Revenue Authority - dealt a final blow to IMF confidence in the government's commitment to crack down on graft.

Opposition leaders yesterday welcomed the IMF move, saying it would further their campaign to force Mr Moi to introduce constitutional reforms ahead of elections due later this year. "This is welcome," said Mr James Orenge, deputy head of the FORD-Kenya party.

"Together with the political pressure we are now mounting it may bring Moi to his senses."

Mr Mudavadi yesterday outlined the size of the problem now facing the country. He said Kenya had been counting on the IMF to provide it with \$74m in foreign exchange support in the 1997/98 budget and that



Nairobi stockbrokers watch market reaction to the IMF loan suspension

World Bank, African Development Bank and multilateral grants linked to the IMF programme would have produced an additional \$14m.

He gave no details on how he intended to bridge the gap. Analysts speculated import duties, income tax and VAT might be raised and development expenditure slashed. But the government may also need to increase domestic debt by issuing new treasury bonds.

Both Mr Mudavadi and Mr Chesereem have said they hope the government will soon start discussing a possible shadow programme - in which the IMF provides advice but no credits - with the Fund. But some observers believe the acerbic

nature of the final exchanges between Mr Moi and the Fund meant a pause would be necessary to allow tempers to cool.

The political fallout of the suspension was still making itself felt yesterday within the administration, as the rift between reformers appalled by the break with the IMF and hardliners resentful of outside interference continued to widen.

In a gesture of defiance towards the president's office, the revenue authority said it would not approve Mr Chebil's transfer to the Ministry of Finance's audit department, saying it regarded the move as "illegal". Officials said Mr Fares

Kuindwa, the head of the civil service who originally authorised Mr Chebil's removal, had demanded an apology from the ERA for its refusal to rubber-stamp the reappointment.

There were also signs that the government was trying to win at least some approval from the donor community with the publication of a draft of a tough anti-corruption bill.

But it was not immediately clear whether the bill put forward by Mr Amos Wako, the attorney-general, would create an authority which would have the sweeping powers to prosecute top officials implicated in scandals that donor countries would like to see.

## Shanghai bets its yuan on rare phonecards

Mr "Lucky" Ren sits in his booth at the bustling Shanghai Stamp, Coin and Card Market and dispenses financial advice: "The best investment in China these days is not stocks or bonds or property, it's stamps and phonecards."

And to prove his point the former lift operator who has left his Yn500 (\$60)-a-month job and now earns Yn10,000 each month trading picture phonecards and limited edition stamps, pulls out a couple of his best buys:

● A set of telephone cards issued 18 months ago depicting scenes from classical Chinese literature - face value Yn600, market price Yn5,000.

● A strip of stamps with a chimpanzee design printed in 1980 - the original price was Yn0.8 for 10, but going today for Yn25,000 for the set.

China, blessed by double-digit growth for most of the 1990s and awash with liquidity, has an army of investors looking for somewhere to put their money.

Stocks have temporarily lost their lustre after repeated crackdowns on what Beijing perceives to be an overheated market. Property prices too have slid this year because of oversupply, and bank deposits have offered falling returns since the government removed an inflation subsidy and cut interest rates.

So as an alternative, or an addition, to the standard avenues of investment, Chinese with cash in their hands have thronged into some arcane markets: in Shanghai alone there are 12

official collectibles exchanges - another 20 have applied for official approval - trading picture phonecards, stamps, special issue postcards and coins commemorating such events as successful satellite launches and gymnastic triumphs at the Olympics. Even old rice coupons have rediscovered a market value among speculators with a nostalgia for the ration-book era.

A handful of speculators in the volatile picture phonecard market are estimated to have made over \$1m, but most of China's 20m phonecard collectors are retail investors who buy new cards for a few hundred Chinese yuan and hope to double their money within the year, or simply like the pictures.

For example, the surefire bet of 1997 has been "Hong Kong returns to the Motherland" phonecards - a set of five picturecards released on July 1 at a price of Yn200 and which are now worth Yn400.

But the frothing markets for telephone cards and other collectibles have unnerved the authorities and the prospect of government intervention has dampened down the recent mood.

Last week the state council, China's cabinet, banned the "illegal" buying and selling of commemorative coins, sending prices tumbling.

Phonecard prices have also been hit badly, as investors fear an imminent crackdown. In the short term Mr Ren, who has seen the price of some phonecards fall by a third in the last month, is moving into stamps.

"Stamps are the safest market, because there is a worldwide demand and Beijing cannot affect that."

The Youth Daily, one of dozens of Shanghai newspapers that track the collectibles markets, warned recently: "Card fever has swept the market in the last half year and the total market value of magnetic cards has more than quadrupled... But the market does not have a solid foundation. Prices have risen too fast, so there should be no surprise that they will fall sharply."

The volatility is symptomatic of a fundamental problem in China's immature market economy: the absence of stable, reliable investment vehicles.

The securities industry in Shanghai has been pressing the Chinese leadership in Beijing to establish institutional funds to stabilise the stock markets and offer a dependable alternative to the retail investors who buy and sell shares through more than 30m stock trading accounts.

In a booth near Mr Ren a fellow trader breaks off from a discussion about stamp prices and a simultaneous game of poker to explain why the collectibles market will keep its allure for the individual investor. "Officially, there is no gambling in China and few people can understand the stock markets. But these things are tangible and beautiful. And with millions of collectors and fewer and fewer cards and stamps, the price has got to go up."

James Harding

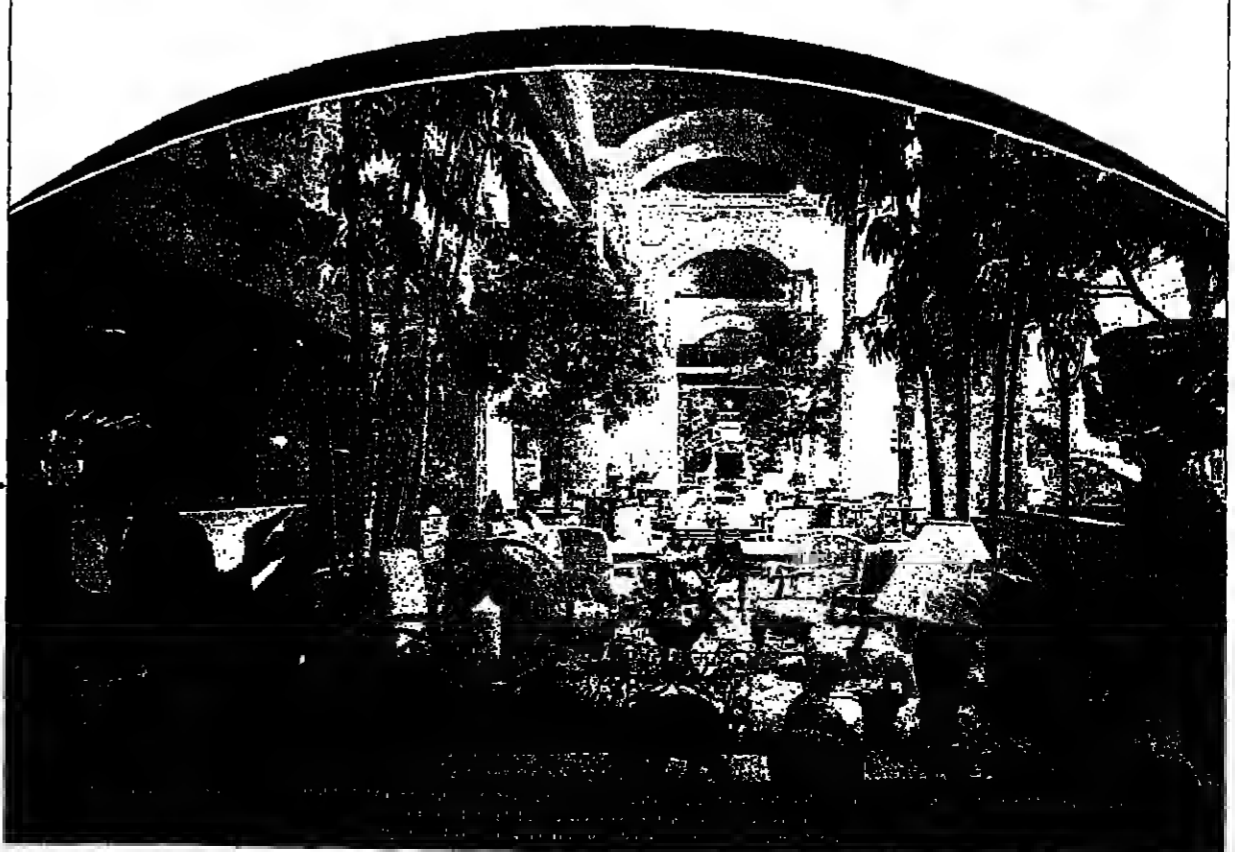
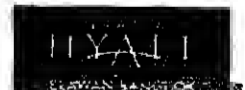
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## NEWS: INTERNATIONAL

Latest deal reflects confidence in A340-600 series, unveiled this summer

## Virgin, Air Canada in \$3bn Airbus orders

By Andrew Jack in Paris and Scott Morrison in Vancouver

The European Airbus consortium yesterday received a powerful boost with the announcement that two international airlines had placed provisional orders likely to total more than \$3bn for more than 20 of its large capacity aircraft.

Mr Richard Branson's UK-based group Virgin Atlantic said it would be the first customer for Airbus' A340-600 series aircraft, taking delivery of 16 from 2002. They

will be customised with a number of luxury features.

Air Canada said it had signed a letter of intent to buy five twin-engine A330-300 and three four-engine A340-600 aircraft, replacing its fleet of six ageing Boeing 747-100/200 aircraft and two A340s.

The latest deals reflect confidence in the A340-600 series, which was unveiled by Airbus this summer at the Le Bourget air show outside Paris, and which provides it with a product to compete against the 747 carrier produced by its rival Boeing.

The sales are especially important at a time of growing pressure for Airbus to restructure in the wake of the merger of the US giants Boeing and McDonnell-Douglas, which was recently ratified by the European competition authorities in Brussels.

Mr Jürgen Schremp, head of Daimler-Benz, said on Thursday the US merger created "harsh but fair" competition, but added urgency to proposals to turn Airbus into an independent company.

The companies involved would not disclose the value of the contracts yesterday, but the list price for the A340-600 series begins at \$144m each, and the upper price for the A340-600 series is \$158m.

The announcements came a day after the Greek transport minister said an agreement would be signed "very shortly" by Olympic Airways, the national carrier, for two A340s to add to its four existing Airbus aircraft.

Virgin said the new aircraft would be equipped with features including double beds in private rooms for premium-paying passengers, as well as a pub, showers, and an exercise and massage area.

Air Canada has signed a letter of intent to buy eight aircraft, with a market value of about C\$1.4bn (US\$1bn), bringing to an end a fierce bidding competition with Boeing for the business. The accord included an option to purchase 20 additional aircraft from Airbus.

The announcement entrenches Air Canada as the leading North American operator of Airbus aircraft but Mr Ted Larkin, an airline analyst with investment bank Bunting Warburg, said that he did not expect the agreement would lead to an erosion of Boeing's dominance of the North American market.

Boeing, with 64 per cent of the world commercial aircraft market, recently secured orders from Continental, American and Delta worth billions of dollars.

## Buoyant economy eases pressure on Fujimori

By Sally Bowen in Lima

A series of encouraging economic indicators is relieving Mr Alberto Fujimori, Peruvian president, of some of the pressures which have built up following recent political scandals.

Consumer price statistics released yesterday show July's inflation rate at a moderate 0.8 per cent, giving an accumulated figure of 5 per cent for the first seven months. That keeps the economy on course for the single-digit target set for the year.

Growth for the first half of the year is also looking good. A member of the economic team has unofficially said that next week's statistics will show gross domestic product up 7.5 per cent in the first six months. He predicted a slightly lower end-of-year figure of 5.5-6 per cent.

Peru's export earnings are also unusually buoyant. In his annual state of the nation address this week, Mr Fujimori announced a 20 per cent rise in export revenue during the first half, "levels of growth which are unprecedented".

So-called non-traditional products - primarily textiles, agro-industrial goods and frozen fish - had earned 43 per cent more than in the same period last year, he said.

The good economic news, plus selective tax reductions and incentives which will benefit business and agriculture, have done much to calm local bankers and entrepreneurs.

They have been staunch supporters of Mr Fujimori and his economic programme for the past seven years, but their confidence

was badly shaken by the scandals and constitutional abuses of the past three months.

Mr Eduardo Farah, president of the Peruvian Manufacturers Association, said he was "satisfied" with the economic measures announced on Monday. He welcomed in particular the reduction of the "Fonavi" payroll tax and considered the wage rises for public sector workers reasonable.

Foreign investment bankers have also welcomed what they see as Mr Fujimori's re-affirmation of his basic economic programme.

The slight relaxation of the traditionally austere management, according to Mr Fujimori, is possible because of Peru's record international reserves (now about \$10bn) and the 3.7 per cent primary surplus registered in the first quarter of the year, well above the 1.3 per cent fixed with the IMF.

According to Mr Carlos Janada, senior analyst at Morgan Stanley, the relaxation in the economy was "to be expected". The timing of the announcements was obviously political, he said, but "consistent with goals agreed with the IMF".



A People's Liberation Army soldier stands guard yesterday at the Prince of Wales Barracks in Central District, Hong Kong, unmoved by gifts of live poultry brought by citizens to celebrate the 70th anniversary of China's PLA.

## Puerto Ricans ponder three political paths

Puerto Ricans are approaching two events planned for next year with mixed emotions. The centenary of the US conquest of the Caribbean island from Spain in the Spanish-American war is likely to coincide with a referendum asking whether they want to retain their current "commonwealth" status, become a state of the union, or receive full political independence.

For some, like Ms Lolita Lebron, president of the Puerto Rican Nationalist party, there are no compromises on the question of the country's political future. "After the abolition of slavery, there were many slaves who were afraid of freedom and refused to leave their masters because they didn't know what freedom was," she said. "You have to give Puerto Rico its self-determination."

Ms Lebron's advocacy of independence for the island of 3.7m people traditionally has had little support, garnering 4 per cent of the votes in the previous referendum on political status in 1993. The majority of Puerto Ricans are torn between keeping their colonial status, which they have had since 1952, or becoming part of the US.

Puerto Ricans vote in presidential primary elections, but not in general elections. They have one non-voting representative in Washington, and do not pay federal taxes.

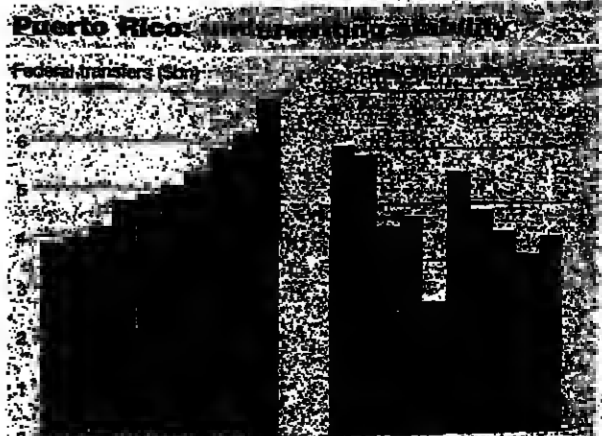
The island gets billion of dollars each year in food stamps and other federal aid from Washington, and although Puerto Ricans fight in the US army the island sends its own teams to Olympic Games.

The incumbent New Progressive party wants the island to become a state. "The people of Puerto Rico have been misled for too long," said Mr Carlos Romero Barcelo, Puerto Rico's commissioner to Washington and an advocate of statehood.

"It's time for the dysfunctional political process in Puerto Rico to end. I do not think it is fair for commonwealth supporters to seek equal funding in federal benefits while at the same time refusing to fulfil their obligation as citizens, which is to pay federal taxes."

The opposition Popular Democratic party advocates an enhancement of the commonwealth arrangement.

Canute James



## HALF YEAR

## SALE OF SPECIALTY CHEMICALS

The principal strategic event of the half year was the sale of the international specialty chemicals businesses to Imperial Chemical Industries PLC for \$8 billion, which was completed on the 8th of July 1997. The provisional profit on the disposal of £3,022 million before tax translated at constant 1996 exchange rates, and of £2,582 million at exchange rates on the 8th of July 1997, is included in reported profits.

At constant rates of exchange, sales increased by 3% to £16,818 million over the corresponding period of last year. Operating profit rose by 20% to £1,472 million. Before exceptional items, operating profit improved by 16%. Excluding the profit on the disposal of the international specialty chemicals businesses, net profit rose by 25% to £845 million.

At exchange rates current for each period and excluding the profit on the disposal of the international specialty chemicals businesses, net profit increased by 12% in sterling, 30% in guilders and 20% in dollars. Earnings rose to 41.00 pence per share.

To explain the trends in the business performance, the following commentary on the regions deals with the continuing businesses, and is based on operating profit before exceptional items and at constant rates of exchange.

CONSOLIDATION PROFIT AND LOSS ACCOUNT (unaudited)					
Second Quarter			Half Year		
1997	1996	Incr./ (decr.)	1997	1996	Incr./ (decr.)
8,830	8,710	1%	16,818	16,314	3%
887	574	55%	1,472	1,231	20%
884	763	16%	1,545	1,357	16%
3,022	0		3,022	0	
(57)	(70)		(108)	(132)	
3,858	609	534%	4,596	1,112	296%
(231)	(251)		(493)	(407)	
(573)	0		(573)	0	
2,994	378	692%	3,528	705	372%
(46)	(18)		(59)	(30)	
2,948	360	720%	3,269	675	385%
2,513	363	592%	2,809	684	310%
154.3p	19.39p	592%	150.19p	36.30p	310%

## CONSOLIDATED RESULTS EXCLUDING PROFIT ON SALE OF SPECIALTY CHEMICALS

The undernoted analysis provides supplementary information, for comparative purposes only, on the consolidated results, excluding the profit on sale of the international specialty chemicals businesses.

Second Quarter			£ millions	Half Year		
1997	1996	Incr./ (Decr.)	at constant exchange rates	1997	1996	Incr./ (Decr.)
836	609	37%	Profit before tax	1,374	1,112	24%
522	360	45%	Net Profit	843	675	25%
			at exchange rates current in each period			
473	363	30%	Net Profit	769	684	12%

EXCHANGE RATES  
For reporting at constant 1996 exchange rates, the profit on the sale of the international specialty chemicals businesses and related taxation has been translated at the annual average exchange rates for 1996.

In arriving at the net profit at exchange rate current in each period, the profit on the sale of the international specialty chemicals businesses and associated taxation have been translated at the exchange rates prevailing on the 8th July 1997.

## BUSINESS PERFORMANCE

Economic conditions have developed much as anticipated. Weaknesses in some key countries in Western Europe contrast with strong growth in many developing and emerging markets. In North America, conditions remained generally favourable.

Overall, margin development was once again positive, most notably in Europe. The profitability of our business increasingly reflects the benefits from cost reduction programmes and portfolio improvements.

In Europe, good sales growth in Central and Eastern Europe was partly offset by the impact of disposals and the continuing pruning of non-priority categories. Ice Cream sales were lower following poor weather in June. Our margarine and olive oil businesses recorded strong profit growth, benefiting from lower costs. There was good progress in a number of home and personal care categories. Overall, operating profit, which included some benefit from a favourable phasing of central costs, was well ahead of last year.

In North America sales were ahead of last year, as a net effect of acquisitions and disposals. There were good performances in fabrics cleaning and personal wash, and Helene Curtis made a significant contribution to our overall performance. In prestige products, results were behind the corresponding period last year. Profits in foods fell against the background of a decline in sales. A major reorganisation of our US foods operations is in progress.

In Africa and Middle East sales reflect disposals of non-core businesses. South Africa and Arabia achieved good results, but the reorganisation of distribution arrangements at the beginning of the year in Turkey temporarily depressed sales and profits.

Asia and Pacific continued its strong sales and profit growth, and market investments were increased. Results were particularly noteworthy in mass skin, hair and oral care. India and the countries in South East Asia made excellent progress. Successful product launches combined with cost reductions led to good profit growth in Australasia.

In Latin America sales growth reflected good performances in ice cream and personal care. Lower profits reflect substantial increases in investments behind product innovation in Southern Latin America.

## SECOND QUARTER

At constant rates of exchange, sales rose by 1% to £8,830 million over the corresponding quarter last year. Operating profit increased by 32%, partly due to substantially lower exceptional items in the quarter. Operating profit before exceptional items increased by 16%. Excluding the profit on the disposal of the international specialty chemicals businesses, net profit rose by 40% to £522 million, helped by lower interest and tax costs.

At exchange rates current for each period and excluding the profit on the disposal of the international specialty chemicals businesses, net profit increased by 30% in sterling, 37% in guilders and 20% in dollars over the corresponding quarter last year.

## OUTLOOK

Overall economic conditions are not expected to change materially in the second half of the year. Sales growth is likely to remain modest, in part due to continuing portfolio

rationalisation. Although profits growth in the remainder of the year will be less buoyant, profit improvement for the full year should be satisfactory.

The strength of sterling and the weakness of the guilder as compared to last year means there is a substantial divergence between reported net profit at constant exchange rates and at current exchange rates. The overall impact on our results for the year in our reporting currencies, when expressed at current exchange rates, is likely to be significant.

The directors propose the sub-division of the company's ordinary capital as follows:

Each existing ordinary share in Unilever PLC of 5p to be divided into four shares of 1.25p each. Each existing ordinary share in Unilever N.V. of FL 4 to be divided into four shares of FL 1 each.

The sub-division will be put to extraordinary general meetings of the companies on September 22, 1997 and, subject to stock exchange approval, is proposed to be effective from the commencement of trading on the relevant stock exchanges on October 15, 1997.

## SALE OF SPECIALTY CHEMICALS

At exchange rates applicable on the 8th July the profit as reported is based on an ungaraged consideration of £4,710 million. The net consideration, following adjustments for debt, cash, working capital (compared to a predetermined target) and retained liabilities is £3,977 million. Net assets disposed of are £765 million and goodwill relating to businesses previously acquired and now written back amounts to £517 million. The profit before taxation is £2,582 million and profit after taxation is £2,064 million. All of these figures are provisional and are subject to change as final adjustments are made under the terms of the Sale and Purchase Agreement.

## BALANCE SHEET AND CASH FLOW

The balance sheet at 28th June 1997 excludes the net assets of the specialty chemicals businesses sold. The balance sheet includes an amount owing from Imperial Chemical Industries PLC of £4,167 million (at 28th June exchange rates) resulting from this transaction. On the 8th July the related legal formalities were completed and Imperial Chemical Industries PLC paid £4,374 million to cash. The balance will be settled as final adjustments are agreed.

The chemicals disposal transforms Unilever's net debt position at the half year to a net cash position of approximately £2,800 million on July 8th. Net gearing, after adjusting for this transaction, is therefore zero, compared to a net gearing of 25% at the end of December 1996 and 35% at the end of June 1996.

Total capital and reserves increased by £2,583 million at end June 1997, mainly due to the profit on the sale of the specialty chemicals businesses.

Cash flow from operating activities of £1,088 million (1996: £1,239 million) is somewhat below 1996, mainly due to the impact of currency movements given the appreciation of sterling. Net cash inflow from discontinued operations in the half year was £180 million (£385 million for the full year 1996 out of a total of £3,816 million).

CONDENSED BALANCE SHEET (unaudited)			
	£ millions	As at 28 June 1997	As at 31 December 1996
Fixed assets	6,526	8,067	
Stock	3,386	5,906	
Debtors	3,303	4,577	
Amount due in respect of sale of chemicals businesses	4,167		
Trade and other creditors	(6,418)	(6,291)	
	12,964	16,259	
Net Debt	1,592	1,693	
Provisions for liabilities and charges	2,887	3,042	
Minority interests	371	545	
Capital and reserves	8,164	5,181	
	12,964	16,259	

CASH FLOW STATEMENT (unaudited)			
	1997	1996	
Cash flow from operating activities	1,088	1,239	
Returns on investments and servicing of finance	(141)	(149)	
Taxation	(290)	(307)	
Capital expenditure and financial investments	(407)	(492)	
Acquisitions and disposals	25	(884)	
Dividends paid on ordinary share capital	(394)	(474)	
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(119)	(1,067)	
Management of liquid resources	(746)	(395)	
Financing	630	1,550	
INCREASE/(DECREASE) IN CASH IN THE PERIOD	(235)	88	

## NOTES

## Acquisitions and Discontinued Operations

In the first half of 1997 the effect on turnover and operating profit of acquisitions made in the period was £35 million and £4 million respectively. The specialty chemicals businesses were discontinued in the first half of 1997. There were no discontinued operations in the first half of 1996.

Balance Sheet  
The condensed balance sheet as at 31 December 1996 has been extracted from the full Group Accounts, on which the auditors gave an unqualified opinion, and which have been delivered to the Registrar of Companies.

Cash Flow Statement  
The cash flow statement is presented in accordance with the revised United Kingdom Accounting Standards FRS 1, issued in October 1996. Figures for the prior year have been restated to the same basis.

Exchange Rates  
The results for 1997 and the comparative figures for 1996 have been translated at constant average rates of exchange, being the annual average rates for 1996. For our reporting currencies these were £1 = FL 2.02 = US \$1.56. In addition the net profit, earnings per share and cash flow statement have been translated at rates current in each period. In arriving at these current rate figures, operating profit of continuing operations and discontinued operations, income from fixed investments, net interest and taxation, were translated at the average rates current in each period. For our reporting currencies these were:

	Second Quarter	Half Year
1997	£1 = FL 3.13 = US \$1.63	£1 = FL 3.09 = US \$1.63
1996	£1 = FL 2.59 = US \$1.53	£1 = FL 2.56 = US \$1.53

For current rate reporting, the profit on the sale of the international specialty chemicals businesses and associated taxation have been translated at the exchange rates prevailing on the 8th of July. The balance sheet figures have been translated at period-end rates of exchange. For our reporting currencies these were £1 = FL 3.25 = US \$1.66 at the half year 1997 (31 December 1996: £1 = FL 2.96 = US \$1.70).

The results for the third quarter and announcement of interim dividends for 1997 will be published on Friday 7 November 1997.

For copies of Unilever results statements telephone 0800 181 891 or write to: Unilever Corporate Relations, PO Box 68, Unilever House, London EC4P 4BQ, or PO Box 760, 3000 DK Rotterdam. For information about Unilever, access Internet address: <http://www.unilever.com>



Half Year Results 1997

## Honours list coincides with unexpected by-election defeat for Labour

# Blair acclaims business leaders

By John Kämpfner and George Parker

Mr Tony Blair, the prime minister, will today demonstrate the Labour government's affection for the business community by awarding peerages to appointments to the unelected upper house - to several of the UK's leading corporate figures.

The announcement of 31 life peers - the start of a long process of redressing the in-built Conservative majority in the House of Lords - coincided with the first signs of trouble for the prime minister.

Mr William Hague, Conservative leader, led his party's celebrations of an unexpected victory in Thursday's by-election in Uxbridge, west London.

Even though the seat had been considered a Conservative stronghold and had been narrowly held by them during the Labour landslide on May 1, few MPs had pre-



To the House of Lords: David Sainsbury, George Simpson and film producer David Putnam

dicted a win for Mr John Randall - let alone by a comfortable majority of 3,768.

Officials said while the defeat was little more than a pinprick, the leadership's decision to impose a Blairite candidate instead of the local man who had fought the seat at the general election had backfired.

So unconfident were the Conservatives that they timed the by-election to fall at the end of the three-

month first term of Mr Blair's government.

Mr Hague, hailing an "important rediscovery" for the Conservatives, said: "They thought they could put anybody into this seat and win it. We have shown that they cannot take people for granted."

Downing Street will hope that the defeat will not spur closet dissidents to use the long recess to speak out against the government.

Privately, some ministers have expressed concern over the trouble the Conservatives have caused over the financial arrangements made for Lord Simon, former chairman of BP, since his appointment to the job of minister for competitiveness in Europe.

Mr Blair has insisted that Lord Simon is the kind of captain of industry who should be encouraged to join the government, to shed any

lingering doubts about Labour's commitment to business.

The prime minister reinforced that point by giving life peerages to Mr George Simpson, managing director of GEC, Mr David Sainsbury, chief executive of J Sainsbury, and Mr Andrew Stone, joint managing director of Marks and Spencer.

Mr Blair wants to increase the number of Labour peers over time to neutralise Conservative supremacy in the Lords. The government has vowed to remove voting rights for hereditary peers in the first stage of an overhaul of the upper house.

The appointments are somewhat offset by the award of 10 peerages in the traditional resignation honours list for the outgoing prime minister. Mr John Major rewards four former cabinet members, although he broke with precedent by refusing to give one to Mr Norman Lamont, the former chancellor of the exchequer.

## Bomb found at Northern Ireland hotel

By John Murray Brown in Dublin

Ms Mo Mowlam, the Northern Ireland secretary in the UK government, has called for a thorough security review following the discovery of a car bomb at a hotel near the border with the Irish Republic. Security officials said the device found on Thursday night and safely defused, may have been the work of breakaway republicans.

After the first incident since the Irish Republican Army restored its ceasefire two weeks ago, Sinn Féin, its political wing, faced renewed calls from pro-British unionists to hand in weapons.

The 450kg bomb was packed into a Ford car outside the hotel in Lisbellaw, frequented by holidaying anglers. Given the location and "soft" nature of the target, security officials say the action may have been the work of the Continuity Army Council, a splinter republican group which blew up a hotel near Enniskillen, in the same part of Northern Ireland, last year.

The CAC has been involved in incidents in Belfast, the Northern Ireland capital, and Londonderry, which officials believe could not have taken place without the IRA's sanction. But police say the IRA may have less sway over recalcitrant elements in border areas, who are known to be opposed to the ceasefire and who have access to arms caches in the Irish Republic.

The incident puts Sinn Féin in a difficult position during the six-week period when the government has said it will test the pledge of the IRA that its ceasefire is unequivocal in "word and deed".

The office of Mr Tony Blair, the UK prime minister, was "relatively optimistic" about prospects for convening the substantive all-party talks in September. Last night in Dublin, capital of the Irish Republic, a senior government official said the Irish government would "utterly condemn the outrage".

Mr Gerry O'Hara, Sinn Féin's northern chairman, called on armed groups to end their actions.

But Mr William Thompson, an Ulster Unionist MP, said: "It's the same old thing. Paramilitaries with guns and bombs may decide to have talks, but the problem in Northern Ireland is that there are those who will take their place."

Mr Tom King, former Northern Ireland secretary in the UK government, echoed unionist scepticism over Sinn Féin's attempts to distance itself from the incident. He said: "If this proves to be a republican bomb, I know from my own experience that Sinn Féin/IRA has a ruthless ability to impose their position on everyone on the republican side who gets in their way."

## UK NEWS DIGEST

# Plutonium in children's teeth

Radioactive plutonium is turning up in the teeth of children across the UK, according to a report for the Department of Health. The plutonium is said to emanate from the Sellafield nuclear processing plant in north-west England. Children living closest to the plant had the highest levels. The study looked at 3,300 teeth taken from teenage children during dental treatment.

But the Department of Health reassured parents that the levels of plutonium represented an "insignificant risk to health". Plutonium, which is virtually all man-made, is used in nuclear weapons and is a by-product of nuclear power stations. Its only source in Britain is the reprocessing plant at Sellafield.

The findings were reported in the latest issue of New Scientist, Nick Priest, who headed the study while working for AEA Technology, said the level of plutonium exposure was so small it would be swamped by the effects of other radiation sources, mostly natural. But Greenpeace, the environmental pressure group, called for Sellafield's immediate closure. Greenpeace scientist Ms Helen Wallace said: "There is no safe dose. The stuff is getting into people's bodies and nobody really knows what the effect is."

## SOCCER

### Jury retires in players' trial

The jury in the trial of three soccer players and a Far Eastern businessman accused of match-rigging yesterday retired for the weekend after failing to reach verdicts. Mr Bruce Grobbelaar, the former Liverpool goalkeeper, Mr John Fashanu, a former Wimbledon and Aston Villa player, and Mr Han Suan Lin, a Malaysian businessman, are all accused of conspiracy to corruptly give or receive payments to influence the results of Premier League matches. Mr Grobbelaar is also accused of corruptly accepting £2,000 (£3,260) from a former business partner to improperly attempt to influence the outcome of a match. The jury resumes its deliberations on Monday. *John Mason*

## ENGLAND AND WALES

### 3,140 company failures reported

There were 3,140 company failures in England and Wales in the second quarter of 1997 - the same as in the first quarter on a seasonally adjusted basis and 10 per cent down on the same time last year. The figures, produced by the Department of Trade and Industry, mean that 1.3 per cent of active companies failed in the year to the end of the second quarter of 1997. Bankruptcies - individual insolvencies - were in 6,185 in the second quarter, an increase of 0.3 per cent on the previous quarter and down 6 per cent on the same period last year. *Jim Kelly*

## EATING OUT

### Indian restaurant turnover \$3.2bn

Indian food lovers munch their way through a staggering 205m poppadoms each year, according to the most extensive survey yet of Britain's 6,000 Indian restaurants. A total of 11.1m pints of beer are used to swell down the spicy food which has an annual turnover of nearly £2bn (£3.2bn). The survey, by Tandoori Magazine, said nearly 2.5m adults pop in for a "curry" every week. But in spite of the popular image of the curry house being an end-of-the-evening port of call for drunken males, only 23 per cent of customers say their Indian meal follows a visit to the pub. Rice eaten alongside meals amounts to 36,000 tonnes, flavoured with 1,440 tonnes of pickles and chutney.

## TELECOMMUNICATIONS

### Orange consortium in \$178m deal

Connect Austria, a consortium in which Orange, the UK mobile telephone operator, has a 17.5 per cent stake, has been awarded a Sch2.3bn (\$178.3m) mobile phone licence by the Austrian government to establish a GSM 1800 network. The consortium consists of Orange, Radex Heraklith and Constantia of Austria, VIAG of Germany, Telenor of Norway and Tele Danmark. The peak funding requirement for the network is estimated at Sch1.0bn, which will be financed by a combination of equity finance from the consortium and associated debt finance. Orange is expected to contribute an estimated \$65.9m which would be funded from existing resources.

## SCOTLAND

### Talks aim at averting ferry strike

Talks are to be held today in an attempt to avert a strike by seamen on Caledonian MacBrayne ferries plying routes on the west coast of Scotland. The indefinite strike, due to begin on Monday, would affect ferry services in the Firth of Clyde and would have a serious effect on traffic to the islands of Arran, Bute and Cumbrae, where CalMac has a monopoly. *James Buxton*

## Caravan industry is turning the corner

The Dutch are said to have the greatest appetite for it but the British appear to be reacquiring a taste for holidaying with a caravan.

After a long period in the doldrums, the caravan industry is looking forward to its best year. Spending on camping and caravanning rose modestly last year by 58m (£13m) to £518m. Sales of touring caravans - those towed by a car - are expected to rise this year for the first time in eight years.

"It looks at last as if the touring caravan industry has turned the corner with the popularity of caravanning on the rise," said Mr Tony Halley, chairman of the Tourer Marketing Bureau, an association of the largest caravan manufacturers.

With a price tag of between £7,000 and £20,000, caravans are relatively high value luxury items which make them vulnerable to the economic cycle. The industry says it tends to be one of the first to be hit in a recession and one of the last to emerge.

That is borne out by steadily declining sales figures, from 36,500 caravans in 1989 to 20,400 last year. But the industry expects a turnaround this year and is fore-

Manufacturers expect a record year and club membership is accelerating

casting a 12 per cent rise in sales to 22,500 caravans.

The Camping and Caravanning Club, which operates sites, says its membership has accelerated in recent years - rising by almost 30 per cent over the past five years. The growth has been driven mainly by people turning to camping as a cheap holiday during the recession. Many are now trading up to caravans.

"A lot of people wanting a family holiday start off camping in a tent, then move up to caravans," said Mr Bob Stanton, the Club's public relations officer. "Once they take to camping, they tend to stick with it."

Caravanning last year accounted for more than four in five short-break self-catering holidays and for more than half all holiday trips of four nights or longer. The rise in caravan sales has been helped by the decision by some of the largest manufacturers to reduce car-

avan prices by cutting manufacturing and dealer profit margins.

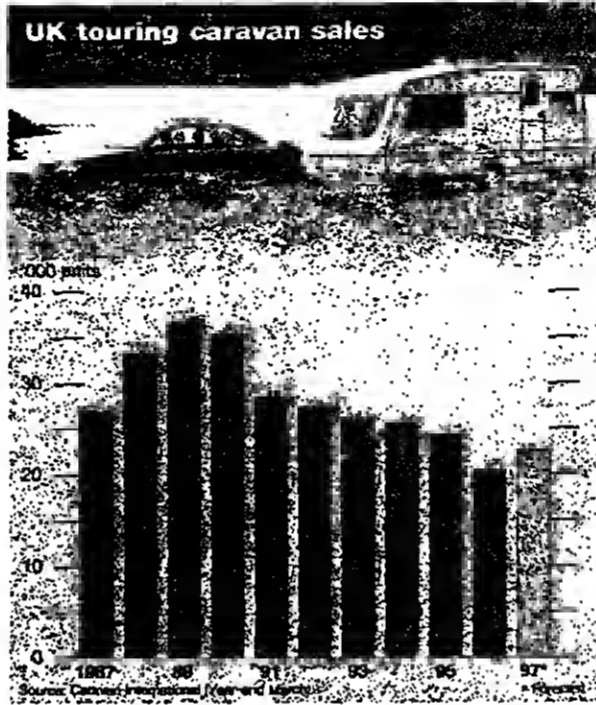
"The market had been through a long decline and we thought that perhaps it was because caravans were seen as too expensive," said Mr Richard White, sales and marketing director at Swift Group, the largest manufacturer.

The company has reduced the price of its top caravan models by £3,000 to £15,000 and says the tactic appears to have succeeded in attracting new and second time buyers.

The industry has also tried to clean up its image by responding to environmental concerns about dirty camp sites and improving facilities to appeal to different types of holidaymakers. Camping areas vary from large family sites with swimming pools, to small sites on farmers' land with room for only two or three caravans.

The industry has also had to respond to changing consumer demands. Spartan caravans for hardy holidaymakers have given way to those with central heating, flushing toilets and fully equipped kitchens.

But the industry still has a lot of ground to regain. The number of people with



tourer caravans has fallen over the past 20 years from 650,000 to 500,000. Mintel, the market research group, does not expect the number of domestic camping and caravanning trips to rise over the next decade but it does forecast a rise in spending as a result of the more sophisticated sites and facilities.

The average age of those buying a caravan is between 45 and 50 and the industry says that it continues to attract new converts in spite of the popularity of overseas package holidays.

"It appeals to those who like the outdoor life and to

business people who can only get away at short notice and don't want the hassle of booking a holiday," said Mr White, also chairman of the Tourer Marketing Bureau's promotional committee.

Numbers going abroad have also been rising, particularly since last year due to the pound's strength. More are venturing beyond France, the most popular overseas destination to places such as the Czech Republic, Hungary and Poland, says Mr Stanton.

Scheherazade Daneshkhu

## London transport system to be upgraded

By Alan Pike, Business Services Correspondent

Travellers in London were yesterday promised the world's most sophisticated bus and Underground ticketing system. It will be provided under a private finance initiative project.

London Transport said it had decided to enter final negotiations on a contract for the innovative Prestige ticketing project. It hopes negotiations will be completed by the end of October, with the system

in place in time for the millennium. The Prestige project will use smartcard technology and will mean new ticket gates and touch screen ticket machines in Tube stations. London's 6,000 buses will also get new ticketing machines.

London Transport's proposed PFI partner is Transys, a consortium of EDS, ICL, Cubic Corporation and WS Atkins Consultants.

The proposed 17-year contract will be worth some £1bn, with payments to Transys linked to system avail-

ability and levels of bus and Tube use. EDS and Cubic will each have a 37.5 per cent stake in Transys, ICL 20 per cent and WS Atkins the remaining 5 per cent. The private sector partners will invest £180m.

As well as helping cut fraud, the new gate system to be installed at every Underground station should provide London Transport with information on passenger use to assist with service planning. The smartcard technology should also help speed up ticket sales.

Mr David Courtley, managing director of EDS UK's public sector division, said: "This exciting scheme shows the potential of PFI for involving the private sector in providing and improving services for the public and the way in which information technology is playing a growing role in transport systems."

Other previously interested consortia withdrew during earlier stages of discussions on Prestige, leaving only Transys to develop the project to its present stage.

## Ethics watchdog censures Tories

By John Kämpfner, Chief Political Correspondent

Four former Conservative MPs were censured by parliament's ethics watchdog yesterday, as inquiries into an era of sleaze drew to a close.

The standards and privileges committee of the House of Commons found that the conduct of two MPs who stood down at the last election, Sir Michael Grynlls and Mr Tina Smith, had fallen "seriously below the standards the house is entitled to expect of its members". Had they remained in the Commons they would have received "a substantial period of suspension", the

all-party committee concluded.

Two other former MPs, Mr Michael Brown and Sir Andrew Bowden, were also heavily reprimanded, although their suspension would have been shorter. The fifth member under investigation, Sir Peter Hordern, was largely exonerated.

"The committee was responding to the findings of Sir Gordon Downey, the independent parliamentary standards commissioner, on the "cash for questions" saga. The man at the centre of the allegations, Mr Neil Hamilton, was heavily criticised by Sir Gordon, whose report was controversially delayed by the Tories until

after the election. It was published a month ago.

Mr Hamilton, who was defeated as an MP at the general election, has challenged the findings. The committee said it had not completed its examination of the case and is expected to meet on Tuesday to look at the charges.

The report acknowledged that Mr Smith, who was forced to give up the safe seat of Beaconsfield at the height of the campaign, had admitted most of the allegations that he had accepted up to £25,000 in cash payments from Mr Mohamed Fayed, owner of Harrods store, in return for lobbying services. However, his concealment of payments

amounted to "a clear contempt of the house". The most damning language was reserved for Sir Michael, who was said to have "deliberately misled" a previous Commons committee in 1990 by "seriously understating" the number of commission payments he had received from the lobbyist Mr Ian Greer.

However, the committee acknowledged that its powers to punish non-members are limited and might be expanded. It concluded: "In a future report we shall offer advice to the house on appropriate penalties and sanctions for members, former members and other persons involved in unacceptable behaviour."

By William Lewis and Jim Kelly

Sir Richard Greenbury has called for the Hampel committee, which is reviewing the report produced by his committee on executive pay, to hold back from recommending additional corporate governance rules.

The Hampel committee, chaired by Sir Ronald Hampel, chairman of ICI and the successor body to the Cadbury and Greenbury committees on corporate governance, is due to publish its report on Tuesday.

In an interview with the Financial Times, Sir Richard said: "There is a feeling in UK boardrooms that we just can't take any more. It can't

just keep going on and on. There is a strong feeling that Cadbury, then Greenbury and then Hampel, and the whole thing is becoming an industry."

"There is an argument for there being now a real period of reflection over two to three years to give people a chance to put things in perspective."

Sir Richard said that Sir Ronald had had the time to revisit some of the more contentious issues and might be able to bring some clarification.

Details of the Hampel report are being carefully guarded until publication at on Tuesday. However it is understood that Sir Richard's pleas are likely to be

heard. The committee is thought likely to draw a line under the detailed codes produced by its predecessors and instead lay down general principles on corporate governance.

Controversially it is expected to extend such principles to cover institutional investors, probably calling on them to draw up considered policies on how they use their votes at annual meetings.

Elsewhere the report will either leave the Cadbury and Greenbury rules alone or, in at least one case, make them less onerous on companies and directors.

The report is likely to draw criticism from those who believe that general

principles are impossible to police. But the committee is expected to want companies to discuss in their annual reports their compliance with Hampel.

The report is also expected marginally to tighten the guidelines on how much work auditors can do for large clients in an attempt to reduce their potential dependence on clients which might undermine their independence.

Generally the report will meet corporate concerns about the burden of compliance and will seek to throw the debate on corporate governance on to a more flexible framework - an approach which may well be attacked by shareholder groups.

## Strong pound is hitting export volumes, suggests survey

By Wolfgang Münchau, Economics Correspondent

UK exports suffered a sharp drop during July, according to the purchasing managers' report, a monthly survey of the state of the UK manufacturing sector.

The results give the first statistical indication that the strong pound is hitting UK export volumes. The manufacturing sector continued to expand robustly, but its growth was underpinned

almost entirely by strong domestic demand.

There are also indications that growth in the UK economy may be slowing.

The purchasing managers' index fell from 53.5 in June to 53.4 in July, the 14th month in succession in which it registered above the critical level of 50, which suggests that the manufacturing economy is expanding. The expansion reflected a strong rise in output, which accelerated as com-

panies reported further growth in new orders.

The fall in the absolute value of the PMI was largely driven by a decrease in export orders for the first time since the survey began monitoring exports in January 1996. The exports order balance fell from 51.7 in June to 47.1 - below the critical level of 50 - suggesting a month-on-month fall in orders. This turnaround has not yet registered in the official trade statistics.

Mr Peter Thomson, director-general of the Chartered Institute of Purchasing and Supply, which commissions the survey, said: "This is the first month that purchasing managers have reported a significant drop in export orders, which they attribute almost entirely to the strength of sterling. The manufacturing sector remains strong, but the decline in demand from overseas markets is clearly having an effect."

The strong pound also led to a

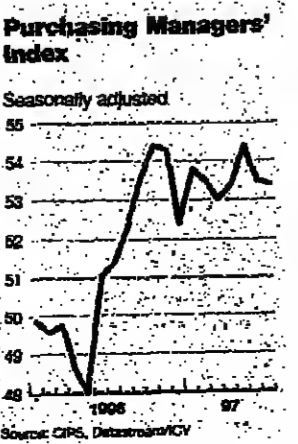
fall in the cost of imported goods. Average input prices recorded the sharpest monthly drop since the survey started in July 1991.

Mr Jonathan Loynes, UK economist at HSBC Markets, said: "The report makes grim reading for manufacturers. For while it shows that the pound's strength is hurting, it is not weak enough to prevent the Bank of England from pushing interest rates up further to dampen consumer spending. Accordingly, the longer-term pros-

pects for industry continue to deteriorate."

The survey also indicated that the UK economy may be facing increasing supply bottlenecks, a potentially inflationary sign. The report makes grim reading for manufacturers. For while it shows that the pound's strength is hurting, it is not weak enough to prevent the Bank of England from pushing interest rates up further to dampen consumer spending. Accordingly, the longer-term pros-

pects for industry continue to deteriorate. The purchasing managers' survey is based on data from 310 industrial companies. It is considered an early indicator of trends.





## Man in the News • Lord Simon

## Not such a political prize

John Plender on the beleaguered former chairman of BP

Lord Simon, the trade minister and former chairman of British Petroleum, looked a formidable political prize for Mr Tony Blair when he was appointed to the new Labour government on May 5. Today, as he tries to fend off Tory attacks over alleged conflicts of interest in relation to BP, he looks suspiciously like a tarnished asset.

The haste with which this business leader was projected into government is part of the trouble. In the euphoria that followed Labour's election victory, his shareholding in BP - now worth more than £2m (\$3.3m) - appears not to have been handled with due care. The resulting difficulty was compounded by the government's over-reaction and Lord Simon's initial reluctance to defend himself.

The failure to disclose his ownership of the shares was politically inept, while the government's inconsistent accounts about the rest of his portfolio played into the hands of shadow trade and industry spokesman Mr John Redwood.

Yet Lord Simon's position on the central issues - the future of his BP shares and the management of potential conflicts of interest - appears more defensible than an article under his name in Thursday's Times appeared to allow. (After this unexpected breaking of cover he was once again

unavailable for comment yesterday.) For a start, it would have been a practical impossibility for him to sell all his shares on taking office. The BP annual report reveals that more than three quarters of his 249,903 shares were held in two long-term incentive plans. The two tranches of shares are locked into the plans, administered by a Jersey trust, until 1998 and 2001.

According to a spokesman for BP it would have required the consent of the plans' trustees and of the BP remuneration committee to release the shares. This reveals the obstacles to instant disposal. Since the people involved included such luminaries as Mr Peter Sutherland, the globe-trotting chairman of Goldman Sachs International, and Mr Charles Knight, chairman of St Louis-based Emerson Electric of the US, consents could not have been granted at the drop of a hat.

More importantly, Lord Simon's claim that he faced difficulties with insider dealing legislation is real enough. A sale at any time since his appointment might

have left him vulnerable to the share price subsequently fallen, since he had privileged access to more than a month of the second quarter of BP's financial year.

This included detailed forecasts for a period whose results are not due until next Tuesday. Even a sale to a blind trust might have left him open to criticism on this score.

Of course, in the rough world of politics the mere mention of incentive plans and off-shore Jersey trusts is a hostage to fortune - no matter that any company with half of its 340-odd incentive plan members working overseas would have done the same thing, with taxes being paid in the appropriate jurisdictions.

Yet the irony of Lord Simon's situation is that he is far from being a stereotypical fat cat. During his tenure as group chief executive and BP chairman profits rose from \$11m to \$3.7bn. The company's long-term incentive plans are among the few in British industry that impose challenging performance criteria in line with the recommendations

of the Greenbury Committee on directors' remuneration, on which he sat. As businessmen go, he has a better claim to hold ministerial office than most. And he comes cheap, since the government is not being charged for his services. Nor, since he did not have a service contract with BP, can the oil company claim any compensation.

Compare and contrast Lord Simon with Sir Ian MacGregor, the businessman invited by the Thatcher government to run British Steel in the early 1980s. Lazard Frères in New York, where MacGregor was a partner, extracted huge sums from the British taxpayer in compensation for his loss.

What, then, of conflicts of interest? Lord Simon avoids any business that directly touches BP. As for Tory concerns about his involvement in gas liberalisation and energy taxation, this scarcely amounts to much since the main decisions in this area are taken by Mr John Battle, the minister of state responsible for energy.

The real problem is more fundamental and generic. It concerns the large number of pies in which prominent businessmen have their fingers. Before joining the government Lord Simon, for example, was a director of the mining group RTZ, the German insurance giant Allianz, a member of the advisory board of Deutsche Bank, a member of the Hampel committee on corporate governance, along with numerous other bodies. His former fellow directors sit on the boards of many other leading companies.

A minister from the business world cannot escape making decisions that will have an impact on former colleagues. Take the Hampel committee which reports next Tuesday. Lord Simon shares ministerial responsibility for corporate governance with Mr Ian McCartney. According to a DTI spokesman yesterday no decision has been taken on whether he should withdraw from any consideration of the report of a body of which he was a member. It seems extraordinary, given the controversy to date, that a government so sensitive to

media criticism should not have covered its flanks on this point.

Those who recall Harold Wilson and his crooked business hangers-on such as Lords Kagan and Brailley can only rejoice that Labour now recruits from the business mainstream. But this brings different problems. One is that pathbreakers like Lord Simon may enjoy disproportionate power because they have delivered such a large political dividend.

Another is that the growth of share options and incentives means that most ministers from business will have big share stakes. Given the insider dealing problem, a fixed quarantine period in which share stakes are automatically frozen before being put in trust or sold may be needed.

Lord Simon has toughness enough to weather this modest storm. But there may be more storms ahead over conflicts of interest, especially in relation to the business advisers who are swelling the Whitehall ranks while continuing to occupy top jobs in industry and commerce.

Meanwhile the bigger questions about businessmen in politics remain the same. Are they ever much good at the job? And how do shareholders feel about losing Lord Simon, not to mention all those business advisers who are giving the government time for free?



## John Kampfner on what the UK foreign secretary's ethical policy might mean in practice

## The moral mantra

"We can't tell you what time the meeting will finish because it depends how long it takes for the president to walk out."

British officials were only half joking as they prepared for the final encounter of Mr Robin Cook's three-day tour of former Yugoslavia this week. The latest recipient of the UK foreign secretary's no-nonsense approach was Mr Franjo Tudjman, the Croatian president - a man who does not take kindly to lectures from visiting foreigners.

In fact the talks ran over time, but the protagonists agreed to disagree on just about everything. Mr Cook has little truck for the leaders of what he calls "little statelets" who define free speech as the right to assert their nationalism.

His disdain for their message may not be new for the UK foreign office. His willingness to harangue them in public is. On the evidence of the first three months of the Labour government, Mr Cook has few equals among top diplomats of industrialised states for blunt talking. The strategy is part of a campaign to inject an "ethical" dimension into UK foreign policy. Mr Cook believes the previous Conservative government showed too few scruples in the area, linking development aid with arms sales and other projects, and not taking a stand against countries that violate human rights.

But can Mr Cook do better? Shortly before he set out

for Bosnia, he decided to let through the sale of \$160m (\$263m) worth of Hawk jets, water cannons and armoured cars to Indonesia - in the teeth of opposition from more than 100 Labour MPs who had signed a parliamentary motion protesting against the sale because of Indonesia's human rights abuses in East Timor. Mr Cook argued that Britain would have had trouble in the courts if it had reneged on a deal struck under the Tories. This, however, is likely to be the last such excuse.

So Mr Cook wanted to use his visit to Sarajevo, Banja Luka, Tuzla and Zagreb to show that he had struck a new balance between ethical principle and realism. Days before he arrived, Bosnian Muslims were smarting over a suggestion by Mr Cook that further aid would be in jeopardy unless they took steps to stamp out endemic corruption. Serbs were furious because of his warnings that there might be more snatches of indicted war criminals, and Croats fumed at Britain's part in persuading the International Monetary Fund to withhold a \$40m credit due to the state of their democracy.

None of them appreciated the amount of time Mr Cook devoted to giving interviews to journalists from independent television channels and



Face to face: Cook (right) meeting Franjo Tudjman

newspapers and discussions with opposition politicians.

Mr Cook is the first to acknowledge that Britain cannot drag governments towards greater political tolerance and financial transparency on its own. He is relying on two allies, the US and Germany - he conspicuously omits references to France.

His trip to former Yugoslavia followed visits by Mrs Madeleine Albright, US secretary of state, and Mr Klaus Kinkel, Germany's foreign minister. Mrs Albright set the more pugnacious tone in

her talks. Mr Kinkel also did not pull his punches, especially towards the Croats, traditional friends of the Germans.

The three ministers appear determined to maintain the pressure on Mr Tudjman when the IMF loan is reviewed again in October. Success or failure of the new approach will take some time to determine.

The new ethical mantra has so far been confined to theory rather than practice. What will happen when it comes into conflict with national interest? Mr Cook

will have considerable difficulty explaining in cabinet the loss of an order for a defence contract, with thousands of jobs going to another country. He has already had a taste of the problem from the arguments over the sale of the Hawk jets, which overshadowed his publication of amended rules for arms sales.

Will Mr Cook achieve his aims by taking his interlocutors on so publicly? He claimed a success when Mr Aliya Izetbegovic, president of the Muslims in Bosnia's three-man council, agreed to establish a commission to look at the disbursement of international aid. All he got from Mr Tudjman was a lecture on Croatian history back to the Middle Ages, a denial of any human rights problem, a refusal to engage on the subject of repatriation of refugees and a claim that he had no influence on Bosnia's Croats.

With the leaders in the region all but refusing to help Bosnia become a more viable state - as they promised to do under the 1995 Dayton agreement which halted the Bosnia war - Mr Cook and his allies will not suffice.

But who will take action? Last month British soldiers, albeit under international auspices, killed one Serb war crimes suspect in Prijedor

## The language of bombs

Niall Ferguson raises the issue that dare not speak its name

Terrorism works. The surprising thing is that there is not more of it.

This is one of those unpalatable truths that is generally not allowed to speak its name, the implication being that speaking it will only encourage terrorists. But terrorists need no encouragement from outsiders. Even if no other act of terrorism had occurred this year, this week's atrocity in Jerusalem provides proof of how much terrorism can achieve.

By walking into the Mahane Yehuda market on Wednesday and blowing himself and 13 others to pieces, two young Palestinians have almost certainly shortened the life of Benjamin Netanyahu's Israeli government and reduced the chances of an imminent, lasting peace in the Middle East to near zero.

There are obvious analogies between the role of terrorism in the Middle East and its role in Ireland, Spain, Algeria and Turkey. In each case, minority groups within existing states used violence in the pursuit of political objectives. Phrases like "peace process" and "cease fire" are beginning to signify the opposite of their dictionary definitions.

A single explosion rarely secures victory for terrorists. But when a bomb goes off, governments are confronted with a dilemma. They cannot be seen to make concessions to the bombers, so any "peace process" is suspended. But retaliatory action rarely achieves the object of decapitating a terrorist group. More often, the use of harsh "emergency" measures increases support for the terrorists by vindicating their propaganda.

Even when a government is unrelentingly repressive, there are limits to how far it can "track down". Even the most terroristic regimes in history never wholly obliterated the threat of terrorism by internal opponents. Marat was assassinated, while Lenin and Hitler narrowly escaped.

For a democracy, the most that can be done is to penetrate the organisations responsible and tighten security. Since 1969 more than 3,000 people have been killed in Northern Ireland because of what is called, in the inverted language that plagues the issue, "the security situation". Without the efforts of the Royal Ulster Constabulary and the army, it could have been double that. Which means there is "an acceptable level of violence" - never a popular phrase.

The only alternative - as when the UK abandoned Palestine or France Algeria - is capitulation. That does not end terrorism, of course; no sooner have the former bombers become heads of state than they too find themselves the targets of

aggrieved groups. That would be the pattern if Ulster were ceded to the Irish Republic, or an independent Palestine became a reality.

So far, so depressing. But there is some good news. Terrorism is not, like poverty, always with us. There was a lull in the early 17th century (in England, the Gunpowder Plot) and the assassinations of Archduke Franz Ferdinand, or of Peter Stolypin, Russia's reforming prime minister, or earlier, of Lincoln: these acts changed the course of history. But there was not much in the 18th.

In the late 20th century, the number of terrorist actions rose rapidly between 1968 and 1976, dipped in the mid-1970s, reached a record peak in 1985 and then entered a 10-year period of decline. There were 392 recorded acts of terrorism in 1985 compared with 256 in 1994; the number of bombings nearly halved.

Probably the best explanation for this is the decline and fall of Leninist and Maoist terrorist groups like the Red Brigades and the Red Army Faction. The trouble is that nationalism, religion and other forms of terrorism show little sign of going the same way. On the contrary, the 1995 Oklahoma bombing revealed how easily terrorism can be taken up by the most marginal of groups. Animal rights zealots could conceivably go the same way in Britain, as could extreme opponents of abortion.

The danger is partly economic. Historically, the means of destruction have never been cheaper, more effective and more widely available. By comparison, the costs of participation in the democratic process just keep going up. The last US presidential election cost the contenders and their parties at least \$800m and the expanding system of professional lobbying imposes a high cost on anyone with a cause to promote. Even the cheaper UK political system is suffering from inflation. You can buy a surprisingly large amount of Semtex with the money it takes to get elected to parliament.

If the laws of economics have any bearing on political life, it seems depressingly reasonable to expect a growth in the global rate of terrorism in the decade ahead. As more and more extra-parliamentary groups opt for the form of direct action with the best historical record of success, we may well look back on the 1990s as the lull before a storm of terror.

The author is fellow and tutor in modern history at Jesus College, Oxford

## Webs for bookworms

Retailers' online sales speak volumes, says Alice Rawsthorn

The opening sequence of *Murder on the Orient Express*, a short story by John Updike, was posted on the Internet this week. Aspiring authors were invited to compete for \$1,000 in prizes by finishing the story.

*Murder* appears on amazon.com, commercially one of the most successful web sites on the Internet. The online bookseller's progress - and that of a site run by Barnes and Noble, the US bookseller - has impressed Waterstone's and Dillons, two of the UK's largest book chains, that in the autumn they plan to launch new Internet sites, each stocking more than 1m titles.

In general, the Internet has failed to live up to the high expectations of its potential as a retailing medium. But books are an exception. Why has buying books online become so popular, when consumers are still sceptical about purchasing other products on the Internet?

One explanation is that the demographic characteristics of regular book buyers are virtually identical to those of keen computer users. Both tend to be reasonably affluent and well-educated. Another factor is that consumers are likely to feel less nervous about ordering a book over the Internet than a costlier or

more complex item. "Books are a known quantity. If I buy a paperback I know exactly what I'm getting," says Ms Nicola Vanderbilt, senior analyst at Jupiter Communications, an Internet research consultancy. "And books are relatively inexpensive, so I needn't worry about losing too much money if it all goes wrong."

It is also easier for retailers to present books to consumers from an Internet site than in a traditional store, where space constraints limit the number of titles available. Online booksellers are freed from these restrictions, because they can post details of numerous titles, which can then be ordered from a warehouse.

There are rarely more than 170,000 titles in stock

at Barnes and Noble's biggest US book superstore, while Waterstone's will sell 150,000 at its new superstore scheduled to open in Glasgow next month. However, it intends to make 1.4m titles available from its new waterstones.uk.com site in November.

Amazon's stocklist runs to 2.5m titles. Mr Jeff Bezos, the former Wall Street fund manager who founded the company three years ago, deliberately based it near one of the world's largest book warehouses in Seattle. Conventional bookshops can, of course, order specially requested titles, and deliver them as quickly as Amazon. But space constraints make it harder for them to trigger an impulse buy. If a consumer walks into a Barnes store in search of Calvin Tomkins' new Marcel Duchamp biography, they might spot a couple of related books on the same shelf. But within minutes, Barnes' Internet site can show them details of the author's other works, and any titles likely to appeal to someone interested in Duchamp.

Net sites can also provide more information about even the obscurest titles, alongside reviews and comments from readers or authors.

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knowledge. Amazon tries to stimulate consumer interest with events such as the John Updike competition, as does Barnes through online chat sessions with authors.

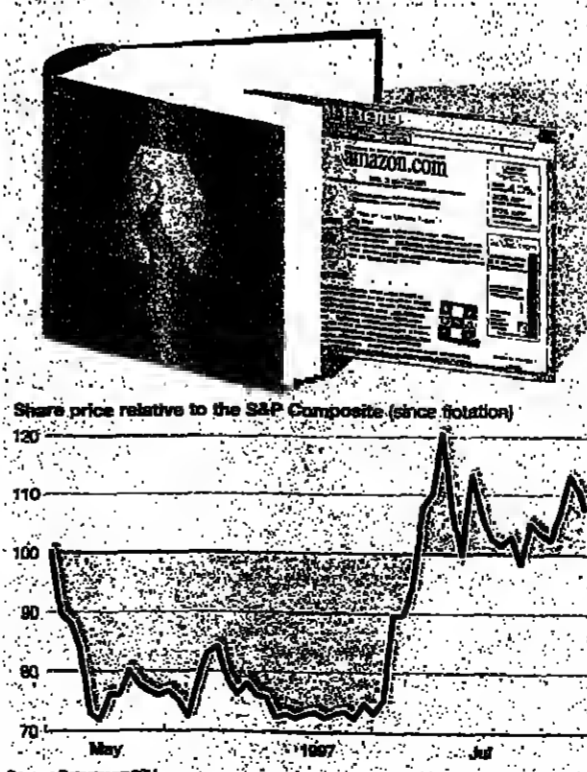
The US sites also plough part of their profits from online bookelling, where margins are higher, than in traditional retailing because property and staff costs are lower. Into price reductions. When Barnes went online this spring, it offered 30 per cent off the list price of hardbacks and 20 per cent off paperbacks. Amazon retaliated by matching those discounts, and knocking 40 per cent off bestsellers.

Ms Vanderbilt suspects that these discounts compensate for postage fees - \$3 booking fee plus 95 cents for each title in the US. And the structure of the Internet is ideally suited to bargain hunters, who can surf between sites to make price comparisons rather than tramping from shop to shop.

It only takes a few minutes to discover that Calvin Tomkins' *Duchamp* is discounted by 30 per cent to \$24.50 on both Amazon and Barnes. But Amazon is selling *Mason & Dixon*, the new Thomas Pynchon novel, for 40 per cent off at \$16.50, against Barnes' \$19.25.

These discounts even counter the higher postage charged to foreigners ordering from the US sites, typically a \$4 booking fee and \$1.95 per title, particularly

amazon.com: netting book sales



as US editions are often available from Amazon or Barnes months before Europe or Asia.

The online book market is still tiny. Amazon's turnover was \$16m last year. But Wall Street is so impressed by its 34 per cent average monthly growth that Amazon's share price has soared from \$18 when it went public in May to \$28.75.

Its success has also prompted Waterstone's and Dillons to abandon their existing, experimental Internet sites, in favour of more ambitious services. Both are

expected to discount on their new sites, which suggests that they are willing to risk imperilling their rapport with UK publishers to build up online businesses. Waterstone's is also courting controversy by planning to sell imported US editions, before publication in the UK.

"We've been watching the US sites very carefully," says Mr Alan Giles, managing director of Waterstone's. "They've proved that there is a market for selling books online, and we've got to be part of it."

## COMMODITIES AND AGRICULTURE

## Aluminium ends with fresh rally

## MARKETS REPORT

By Susanna Voyle

A turbulent week on the London Metal Exchange ended yesterday with a fresh rally for aluminium - with the price of the metal for three-month delivery hitting a 21-month high of \$1,740 a tonne.

Meanwhile, a threatened labour dispute in South Africa helped lift the price of platinum and palladium, and silver consolidated gains made on Thursday after upbeat US economic data.

At the LME, traders said the aluminium rally was fuelled by investment-fund buying and tight backwardation - when the price for immediate delivery rises above the forward price.

The metal ended the day at \$1,739 a tonne, a gain of \$38 from the close of "kern" trading on Thursday.

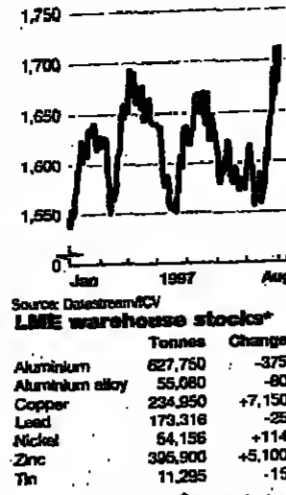
Analysts at GNI Research said that while talk of capacity restarts had made the market nervous, a shortfall was still likely in the future.

"By mid-1998 it would be apparent that a capacity squeeze was brewing for 1999," they said. "Strategic stockpiling would probably be seen, driving prices sharply higher - probably surpassing \$2,500 a tonne. Restarts or not, current prices seem to be a long-term bargain."

Elsewhere on the LME, zinc, which staged a sharp rally to a seven-year high of \$1,674 a tonne on Monday, followed by a \$304 a tonne one-hour fall on Tuesday - ended slightly to consolidate. Nickel rose \$55 to

## Aluminium

LME 3-month metal (\$ per tonne)



Source: London Metal Exchange

LME warehouse stocks

Tonnage Change

	Tonnage	Change
Aluminium	627,750	-375
Aluminium alloy	55,080	-80
Copper	234,590	+7,150
Lead	174,116	-25
Nickel	64,188	+114
Zinc	395,500	+5,100
Tin	11,295	-15

\*Thursday's close

\$7,485 a tonne on news of a strike at big Canadian producer Falconbridge.

The already tight platinum and palladium market was

boosted by the threat of a strike over annual wage negotiations at Impala Platinum Holdings. The National Union of Mineworkers said the strike was "on hold" pending a conciliation meeting due next week.

At Friday afternoon's London "fix" palladium was

priced at \$223.50 a troy ounce, up \$15.80 from the previous day. In the morning it had been fixed at its highest level since June 9 at \$234.50, a rise of \$18. Platinum, which was fixed at \$435.50 in the afternoon.

On Friday afternoon silver was "fixed" at 447.4 cents a troy ounce - a rise of 4.15 cents, more than holding its sharp gains on Thursday.

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## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

## ALUMINIUM, 99.7% PURITY (\$ per tonne)

	Cash	3 mths
Close	1740-41	1738.5-37
Previous	1702-3	1699-700
High/Low	1740-41	1740-41
AM Official	1710-12	1710-12
Kerb close	1738-39	1738-39
Open Int.	290,243	
Total daily turnover	98,950	

## ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1515-90	1540-45
Previous	1490-500	1515-25
High/Low	1540-500	1545/1522
AM Official	1500-505	1525-30
Kerb close	1505-50	1535-45
Open Int.	5,688	
Total daily turnover	1,510	

## LEAD (\$ per tonne)

	Cash	3 mths
Close	626-7	628-9
Previous	622-23	630-35
High/Low	627	640/625
AM Official	627-27	638-35
Kerb close	637-8	637-8
Open Int.	36,378	
Total daily turnover	10,875	

## NICKEL (\$ per tonne)

	Cash	3 mths
Close	7400-50	7485-90
Previous	7350-30	7410-20
High/Low	7340-50	7500/7450
AM Official	7340-50	7485-70
Kerb close	7480-95	7480-95
Open Int.	51,514	
Total daily turnover	17,488	

## TIN (\$ per tonne)

	Cash	3 mths
Close	5805-15	5840-20
Previous	5745-85	5820-30
High/Low	5840-20	5850/5550
AM Official	5845-35	5890-95
Kerb close	5890-95	5890-95
Open Int.	15,609	
Total daily turnover	6,208	

## ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	1549-52	1465-68
Previous	1515-25	1455-80
High/Low	1558/1555	1490/1455
AM Official	1558-59	1490-54
Kerb close	1490-54	1490-54
Open Int.	98,377	
Total daily turnover	40,615	

## COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2339-42	2310-11
Previous	2353-55	2320-21
High/Low	2353-55	2320-21
AM Official	2339-39	2312-13
Kerb close	2309-10	2309-10
Open Int.	140,348	
Total daily turnover	38,238	

## LME AM Official O/S rate, 1.6888

LME closing O/S rate, 1.6878

## SPT, 1653 1 mile, 1.6822; 1.6819; 1.6817

## HIGH GRADE COPPER COMEX

	Sett	Day's	High	Low	Vol	Open
Aug	106.25	-1.25	107.50	106.25	351	106.25
Sept	107.25	-1.25	108.50	106.25	6028	107.25
Oct	108.25	-1.25	109.50	106.25	101	108.25
Nov	109.25	-1.25	110.50	106.25	32	109.25
Dec	110.25	-1.25	111.50	106.25	732	110.25
Jan	111.25	-1.25	112.50	106.25	1	111.25
Feb	112.25	-1.25	113.50	106.25	1	112.25
Mar	113.25	-1.25	114.50	106.25	1	113.25
Apr	114.25	-1.25	115.50	106.25	1	114.25
May	115.25	-1.25	116.50	106.25	1	115.25
Jun	116.25	-1.25	117.50	106.25	1	116.25
Jul	117.25	-1.25	118.50	106.25	1	117.25
Aug	118.25	-1.25	119.50	106.25	1	118.25
Sep	119.25	-1.25	120.50	106.25	1	119.25
Oct	120.25	-1.25	121.50	106.25	1	120.25
Nov	121.25	-1.25	122.50	106.25	1	121.25
Dec	122.25	-1.25	123.50	106.25	1	122.25
Jan	123.25	-1.25	124.50	106.25	1	123.25
Feb	124.25	-1.25	125.50	106.25	1	124.25
Mar	125.25	-1.25	126.50	106.25	1	125.25
Apr	126.25	-1.25	127.50	106.25	1	126.25
May	127.25	-1.25	128.50	106.25	1	127.25
Jun	128.25	-1.25	129.50	106.25	1	128.25
Jul	129.25	-1.25	130.50	106.25	1	129.25
Aug	130.25	-1.25	131.50	106.25	1	130.25
Sep	131.25	-1.25	132.50	106.25	1	131.25
Oct	132.25	-1.25	133.50	106.25	1	132.25
Nov	133.25	-1.25	134.50	106.25	1	133.25
Dec	134.25	-1.25	135.50	106.25	1	134.25
Jan	135.25	-1.25	136.50	106.25	1	135.25
Feb	136.25	-1.25	137.50	106.25	1	136.25
Mar	137.25	-1.25	138.50	106.25	1	137.25
Apr	138.25	-1.25	139.50	106.25	1	138.25
May	139.25	-1.				



## UNIT TRUSTS

## WINNERS AND LOSERS

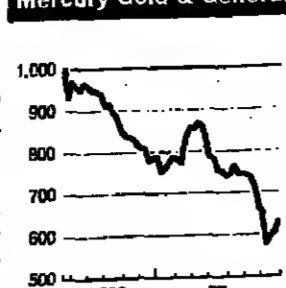
## TOP FIVE OVER 1 YEAR

HSBC Hong Kong Growth	1,783
INVESTCO Hong Kong & China	1,710
Abbey Latin American	1,534
Govett Greater China	1,529
Old Mutual North American Inc	1,514

## BOTTOM FIVE OVER 1 YEAR

Old Mutual Thailand Acc	494
Save & Prosper Gold & Expt'n	536
Mercury Gold & General	627
Schroder Japan Small Co's Acc	639
F&C Japanese Smaller Co's	640

## Mercury Gold &amp; General



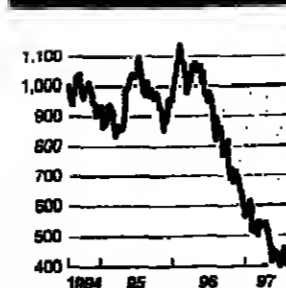
## TOP FIVE OVER 3 YEARS

Prolific Technology	2,622
Hill Samuel US Smaller Co's	2,581
PM North America Growth	2,425
Framlington Health	2,389
HSBC Hong Kong Growth	2,194

## BOTTOM FIVE OVER 3 YEARS

Old Mutual Thailand Acc	454
Five Arrows Japan Smaller Cos	476
Save & Prosper Korea	486
Fidelity Japan Smaller Co's	519
Schroder Japan Small Co's Acc	522

## Old Mutual Thailand Acc



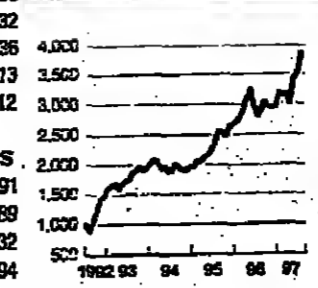
## TOP FIVE OVER 5 YEARS

HSBC Hong Kong Growth	4,568
Prolific Technology	4,532
Gartmore American Emer Gth	4,236
PM North America Growth	4,173
Schroder US Smaller Co's Inc	3,812

## BOTTOM FIVE OVER 5 YEARS

Save & Prosper Korea	791
Govett Japan Strategy	1,089
Govett FOF Cash	1,132
Waverley Global Bond	1,194
Guinness Flight EMU	1,197

## Schroder US Smaller Cos



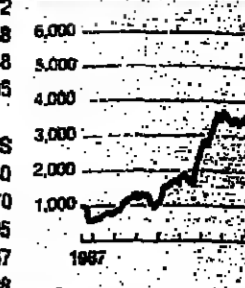
## TOP FIVE OVER 10 YEARS

HSBC Hong Kong Growth	6,367
Hill Samuel US Smaller Co's	6,272
F&C US Small Companies	6,118
Gartmore Hong Kong	5,548
Framlington Health	5,105

## BOTTOM FIVE OVER 10 YEARS

Waverley Australian Gold	340
Save & Prosper Gold & Expt'n	570
Barclays UK Japan Inc	605
Allied Dunbar 2nd Smaller Co	667
Laurence Keen Emvtr Spec Sits	688

## F&amp;C US Small Cos



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: Reuters Hindsight (01625 511311)

## Indices

	1 year (%)	3	5	10	Volatility (%)
Average Unit Trust	1111	1312	2094	2180	3.1
Average Investment Trust	1168	1277	2284	2383	4.4
Bank	1034	1112	1203	1529	0.0
Building Society	1031	1111	1210	1835	0.0
Stockmarket: FTSE All-Share	1301	1648	2372	2669	2.5
Inflation	1029	1068	1131	1546	0.4

## UK Growth

	1 year (%)	3	5	10	Volatility (%)
Johnson Fry Slater Growth	1288	1862	2546	-	9.5
Jupiter UK Growth	1091	1803	2911	-	2.9
Perpetual UK Exempt	1229	1758	3088	-	2.5
Barclays UK Special Sits	1240	1655	2740	1811	2.8
Britannia Balanced Growth Inc	1258	1846	2335	2112	2.8
SECTOR AVERAGE	1146	1437	2114	1895	2.7

## UK Growth &amp; Income

	1 year (%)	3	5	10	Volatility (%)
Fleming Select UK Income	1225	1673	2461	2223	2.7
Perpetual Income	1229	1661	2587	2523	2.4
HSBC Pacific Fund	1359	1828	-	-	2.6
Legal & General UK Stockmkt Acc	1366	1621	-	-	2.7
Fidelity Moneybuilder Growth	1186	1607	-	-	2.3
SECTOR AVERAGE	1181	1440	2061	2117	2.6

## UK Smaller Companies

	1 year (%)	3	5	10	Volatility (%)
Laurence Keen Smaller Cos	1078	1729	-	-	2.9
Gartmore UK Smaller Companies	1118	1723	2626	1571	3.4
AES Smaller Companies	963	1679	2228	-	3.0
INVESTCO UK Smaller Companies	1059	1672	2696	1515	3.8
Britannia Smaller Co's Acc	1073	1595	2616	1765	3.1
SECTOR AVERAGE	974	1254	1996	1411	2.9

## UK Equity Income

	1 year (%)	3	5	10	Volatility (%)
Jupiter Income	1153	1779	3276	-	2.6
Lazard UK Income	1189	1615	2410	2752	2.5
Britannia High Yield Inc	1190	1593	2512	2701	2.4
BWD UK Equity Income	1248	1566	2407	2331	2.7
River & Mercantile 1st Income	1233	1537	2377	-	2.8
SECTOR AVERAGE	1170	1388	2096	2095	2.5

## UK Equity &amp; Bond Income

	1 year (%)	3	5	10	Volatility (%)
Prolific Extra Income	1137	1440	2055	1875	2.1
Abbey National Extra Income	1226	1401	2294	2427	2.2
CIS UK Income	1196	1399	2011	-	2.2
Cazenove UK Equity & Bond	1122	1388	-	-	3.0
Gler Med Retirement Income Inc	1178	1393	2076	-	2.7
SECTOR AVERAGE	1133	1299	1893	1809	2.1

## UK Eq &amp; Bd

	1 year (%)	3	5	10	Volatility (%)
BWD Balanced Portfolio	1243	1626	2516	-	3.0
Perpetual Income	1220	1579	2600	-	2.0
Credit Suisse High Income Port	1139	1483	2342	-	2.4
Canlife Income Dis	1200	1476	2062	1980	2.0
Henry Cooke Balanced	1103	1428	-	-	1.7
SECTOR AVERAGE	1169	1407	2118	2017	2.3

## UK Fixed Interest

	1 year (%)	3	5	10	Volatility (%)
M&G Corporate Bond	1177	1395	-	-	1.8
Aberdeen Fixed Interest	1107	1355	2169	2488	1.5
Thornhill Preference Inc	1008	1344	1709	2280	1.8
Henderson Preference & Bond	1121	1326	1610	1893	1.4
Britannia Gilt & Fixed Int Inc	1068	1311	1386	-	1.6
SECTOR AVERAGE	1084	1256	1531	1972	1.7

## UK Gilt

	1 year (%)	3	5	10	Volatility (%)
M&G Gilt & Fixed Interest	1156	1368	1476	2027	1.8
Gartmore PS Fixed Interest	1132	1317	1484	-	1.7
Murray Acumen Reserve	1100	1292	1463	-	1.4
Mercury Long-Dated Bond	1135	1280	-	-	2.1
Schroder Gilt & Fixed Int Acc	1079	1272	1485	-	1.8
SECTOR AVERAGE	1072	1213	1386	2008	1.5

## International Equity Income

	1 year (%)	3	5	10	Volatility (%)
GT International Income Inc	1182	1448	2244	2656	2.3
Martin Currie Int'l Income	1169	1396	2196	-	2.5
Dolphin Int'l Gth & Income	1133	1369	1995	1359	2.6
Mayflower Global Income	1138	1362	2096	2095	2.3
Barclays Uni International Inc	1200	1313	2018	1871	2.4
SECTOR AVERAGE	1163	1327	2070	2054	2.4

## International Fixed Interest

	1 year (%)	3	5	10	Volatility (%)
Baring Global Bond	1032	1272	1651	-	1.5
Old Mutual Worldwide Bond Inc	996	1215	1483	-	1.7
Barclays Uni European Bond Inc	1047	1206	-	-	1.0
Newton International Bond	1048	1198	1588	-	2.1
TSB International Income Inc	990	1158	1478	-	1.5
SECTOR AVERAGE	991	1085	1381	1689	1.8

## International Equity &amp; Bond

	1 year (%)	3	5	10	Volatility (%)
Bank of Ireland Ex Mgd Growth	1148	1487	2069	-	2.0
Baillie Gifford Managed	1175	1416	2029	2436	2.3
Dolphin Int'l Gth & Income	1133	1369	1995	1359	2.6
Mayflower Global Income	1138	1362	2096	2095	2.3
Barclays Uni International Inc	1200	1313	2018	1871	2.4
SECTOR AVERAGE	1118	1294	1834	2129	2.1

## International

	1 year (%)	3	5	10	Volatility (%)
Prolific Technology	1163	2622	4332	4724	6.5
Framlington Health	1070	2369	3846	5105	6.9
Save & Prosper Financial Secs	1369	1962	3408	3115	3.0
Henderson Global Technology	1118	1838	3188	4042	6.4
Scot Equitable Technology	1238	1810	3032	4313	4.7
SECTOR AVERAGE	1156	1323	2209	2235	3.2

## Nth America

	1 year (%)	3	5	10	Volatility (%)
Hill Samuel US Smaller Co's	1157	2581	3798	6272	5.2
PM North America Growth	1376	2425	4113	4540	4.3
Edinburgh North American	1303	2143	3582	3645	3.4
Fidelity American Spec Sits	1305	2141	3146	3706	4.7
Gartmore American Emer Gth	1119	2119	4238	5057	8.0
SECTOR AVERAGE	1264	1790	2722	3114	3.9

## Europe

	1 year (%)	3	5	10	Volatility (%)
Jupiter European	1184	2005	3371	4780	3.1
Baring Europe Select	1182	1970	3123	2855	3.5
Allied Dunbar European Growth	1277	1865	3130	2919	3.7
Friends Prov European Gth	1281	1854	2929	-	2.8
INVESTCO European Growth	1237	1807	3965	3110	3.8
SECTOR AVERAGE	1204	1495	2425	2726	3.0

## Japan

	1 year (%)	3	5	10	Volatility (%)
Martin Currie Japan	978	874	2322	-	5.4
GT Japan Growth	963	862	1843	1514	3.5
Hill Samuel Japan Technology	941	854	2217	1834	5.6
Newton Japan	1043	945	1960	1347	4.9
Schroder Tokyo Inc	958	817	2123	2185	5.0
SECTOR AVERAGE	840	737	1620	1207	5.2

## Far East inc Japan

	1 year (%)	3	5	10	Volatility (%)
Govett Greater China	1529	1484	3318	3623	4.8
Schroder Far East Growth Inc	1033	1108	2081	-	4.3
Aberdeen Pacific	984	1010	2337	2967	3.9
Thornton Oriental Income Inc	1125	1096	1907	2006	3.4
Martin Currie Far East	1128	1081	2221	2260	4.6
SECTOR AVERAGE	1008	978	2094	2034	4.2

## Far East exc Japan

	1 year (%)	3	5	10	Volatility (%)
HSBC Hong Kong Growth	1783	2194	4568	6367	6.4
INVESTCO Hong Kong & China	1710	1754	3410	3784	6.3
Old Mutual Hong Kong	1481	1690	3169	4487	6.5
GT Orient Acc	1221	1553	3828	-	5.5
Henry Cooke Eastern Enterprise	1499	1532	-	-	5.4
SECTOR AVERAGE	1068	1095	2378	3184	5.2

## INVESTMENT TRUSTS

## WINNERS AND LOSERS

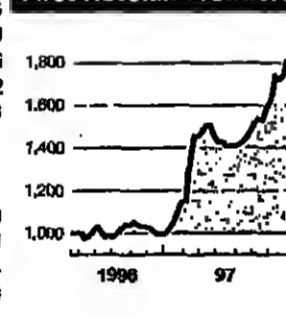
## TOP FIVE OVER 1 YEAR

Scottish National Capital	3,196
Fleming Income & Growth Capital	2,080
INVESTCO Blue Chip	1,856
Fulcrum Capital	1,852
First Russian Frontiers	1,808

## BOTTOM FIVE OVER 1 YEAR

East German	311
Abnstrust New Thal	510
Siam Selective Growth	559
Fidelity Japanese Values	604
Korea Liberalisation Fund	630

## First Russian Frontiers



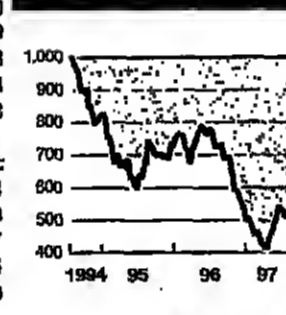
## TOP FIVE OVER 3 YEARS

TR Technology B	3,470
Candover	2,350
Foreign & Col Enterprise	2,298
Kleinwort Development Fund	2,194
TR European Growth	2,143

## BOTTOM FIVE OVER 3 YEARS

East German	204
Exmoor Dual Capital	393
Perpetual Japanese	427
Fidelity Japanese Values	436
Baillie Gifford Shin Nippon	510

## Baillie Gifford



## TOP FIVE OVER 5 YEARS

TR Technology B	20,845
Foreign & Col Enterprise	4,897
TR European Growth	4,883



4378 for more details.

مركز امن الأهل

Lunch with the FT

**Elastic thinking**

*'When Susan Greenfield speaks, you get to see the verbal equivalent of bungee-jumping'*

Page III

PERSPECTIVES



Duncan and Monica Crundwell and Megan, the dog. "Whatever we produce has our name on it, so quality is important"

Minding Your Own Business

# Bleating along to Radio 2

Christopher McCooley finds some contented sheep producing rich-tasting milk

**T**he "girls" on Duncan Crundwell's farm are avid Radio 2 listeners. "The girls like the radio on when they are being milked - the background music calms them and distracts them from any outside noise. If the girls are happy and contented you get more milk."

Crundwell and his wife Monica have 130 "girls" in their Ladywell flock, all British Milk Sheep, a breed noted for its fecundity and five lambs. This year's lambing season - a week in January and two weeks in March/April - brought them 257 lambs from 98 ewes.

The lambs spend their first few days feeding from their mothers to get their foremilk, or colostrum, which is rich in natural antibodies. From then on, an automatic lamb feeder - a Volac machine - takes over. Mixing powdered milk with water at the right temperature, it does away with the need to bottle-rear by hand.

The Crundwells started their milk sheep business 10 years ago. Before that, Duncan had spent his working life in general farming, always working for someone else. In 1987, they bought Cobblers Yard Farm in Kent and 10 acres, the first farm of their own. The land could not support many animals and they started with five milking ewes.

Their first step into business was to take pots of yoghurt to the local fête. They sold very well. Encouraged, the Crundwells began to expand production by breeding lambs to increase the size of the flock. They continued to do this until



The parlour of the Ladywell flock, all British Milk Sheep, is the former stables

1991, when they reached the present - and optimum - level of 130 sheep.

As well as plain and fruit yoghurt, they make four flavours of ice cream, soft cheese, cheesecakes and unpasteurised milk. When they started making yoghurt, they notified the environmental health authorities. Licences were required from 1994 and trading standards officials make visits about twice a year.

Some existing buildings were converted for the new venture: a stable block is now the milking parlour (though it retains the stable doors) and the tack room became the farm shop. This is run by Monica and accounts for about 30 per cent of their sales.

The processing room is new and was built by Duncan. Capital outlay on equipment was minimal: much of the machinery was given to

them by a smallholder moving to France. Incubators were adapted from second-hand fridges bought from hotels.

The Crundwells prefer to keep their business local. They mostly supply village shops within a 15-mile radius, and have only one customer farther afield, in Eastbourne. Local agricultural shows and fêtes also offer good business. Although supermarkets are taking a growing interest in sheep milk products, the Crundwells' business is too small to cater for them.

Since they rented another 68 acres nearby, the Crundwells have had the capacity to handle the lambs that are not going to be added to their own flock. These are either sold to other milk sheep breeders or butchered locally and sold as freezer packs from their farm shop. "Turnover increases

steadily - last year it was £44,000 - but the small net profit (after living expenses) all goes back into the business," says Crundwell. "Our biggest problem is keeping up with trading standards and environmental health requirements."

"The business is Monica and me, with Penny, a part-timer who comes in on Mondays. Whatever we produce has our name on it, so quality is important to us - if we don't keep our reputation, we go out of business. But it's hard - we have to adhere to the same trading and environmental requirements as businesses that have a turnover of millions."

Surprisingly, Crundwell is more exasperated by Whitehall than Brussels. "The EU comes up with a directive - which is just that - an aim to guide in an authoritative way. A single directive goes into Whitehall and what

comes out are reams and reams of extra paperwork."

"We had a directive from the trading standards people which meant we had to change our labelling. Packaging companies are less willing to give a competitive price for small orders. To cover the cost of new labelling, we had to club together with three other businesses to order containers to benefit from economy of scale."

Another problem has been the reduction of outlets for their specialist products. In the past two years, 10 village stores they used to supply in west Kent and East Sussex have closed, put out of business by supermarkets which arrange buses to take people from small rural communities to towns for shopping.

Some of Duncan and Monica's time is spent telling the public about the benefits of sheep milk products. They attend shows and give talks to groups.

Sheep's milk is especially popular among the health-conscious. It is pure white and rich-tasting, sweeter than cows' milk. Because it is made up of very small fat globules and, naturally homogenised, it is easier to digest. It has a higher percentage of fat, protein and lactose than cows' milk and its overall calorific value is 102kcal per 100g compared with 73kcal for cows'.

"And it's very good for your skin," adds Monica, a modern milkmaid in white, from cap to Wellington boots, as she works in her spotless parlour.

**Ladywell Dairy Sheep Products, Cobblers Yard Farm, Leggs Lane, Langton Green, Kent. Tel: 01892-863448.**

The Nature of Things

# When you wish upon a star

Andrew Derrington tracks down the building blocks of life and the universe

**W**hat may think that supernovae (exploding stars) are remote and uninteresting, but without them we would not exist. There would be almost no chemistry and absolutely no life anywhere in the universe.

With the exception of hydrogen, which was created in the Big Bang that started the universe off, all the atoms of all the chemical elements on which biology depends were cooked up in large stars.

The supernova, in which a large star explodes at the end of its life, releases all the atoms it has made into the dust of interstellar space. The dust then gets incorporated into other solar systems. Each atom in our bodies, apart from the hydrogen, went through a supernova billions of years ago before our solar system was formed.

The different elements are defined by the number of protons in the nucleus of each atom. Hydrogen, with a single proton, is both the simplest element and the building block for all the others. Nuclei with more than one proton may also need one or more of another elementary particle called neutrons to keep them stable. Either too many or too few neutrons can make the nucleus break down.

Nuclear physicists have been working for the past few decades on the reaction by which the sun cooks hydrogen, which has one proton and can have one or two neutrons, into helium, which has two protons and two neutrons. The reaction, which also occurred in the Big Bang, generates huge quantities of energy.

In an unsustainable form, the hydrogen fusion reaction is the basis of the H-bomb. Last week in this column, Clive Cookson described attempts to control and sustain the reaction so that the energy it releases can be used to generate electricity.

Astronomers and theoretical physicists have worked out and checked the recipes by which fusion reactions produce the heavier elements.

One of the early breakthroughs was made by Cambridge scientist Fred Hoyle, who received the Crafoord prize, astronomy's equivalent of a Nobel prize, this year for proving that most elements could not have been made in the Big Bang.

There are two features of the universe that prevented heavy elements being formed at the start. The first is that only very high-speed nuclear cookery could be completed. The universe cooled and expanded rapidly as it formed. By the time it was three minutes old it was too cool for atomic nuclei to fuse together. "Anything that takes more than three minutes to make couldn't come from the Big Bang," says Gerry Gilmore of the Institute of Astronomy in Cambridge.

The second feature that prevented heavy elements forming is that beryllium, which is made by fusing two helium atoms, decays with a half-life of less than a trillionth of a second. Consequently, the only new elements cooked up by the Big Bang were helium, which has two protons, and lithium, which has three.

Astronomers and physicists are very confident in their assertions about what went on 15bn years ago in the Big Bang. One reason is that the physics involved is well developed. "Big Bang models are just H-bomb

models; we understand them," says Gilmore.

A more interesting reason for confidence is that models of the Big Bang predict that hydrogen and helium should exist in the same proportions everywhere in the universe.

The prediction holds up well. Astronomers can tell the mixture of elements in a star from the colour of the light it emits. Individual stars vary, but the universe as a whole consists of about 75 per cent hydrogen and 24 per cent helium.

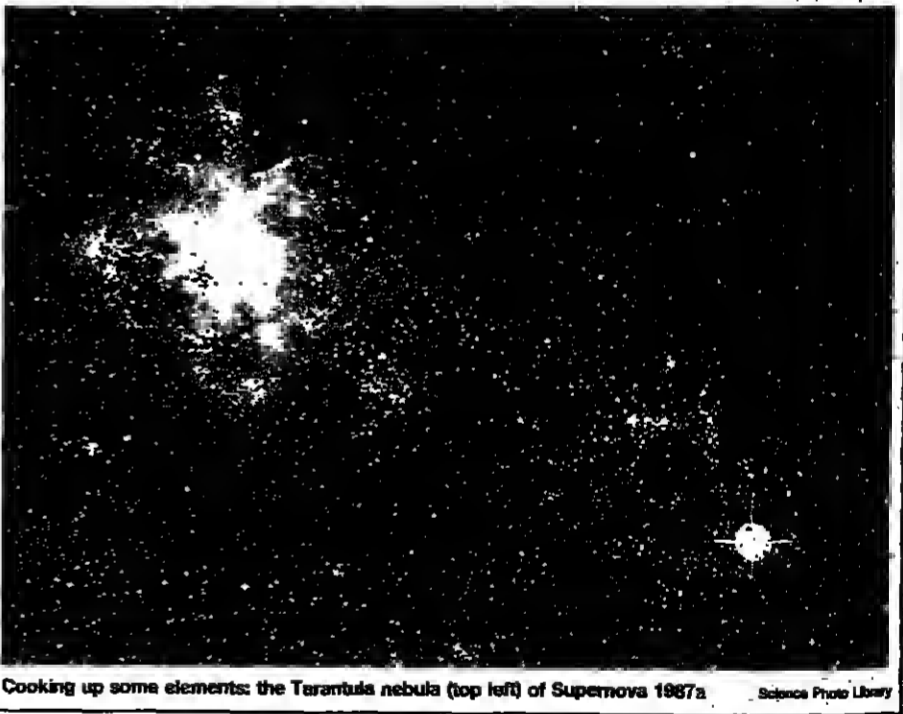
Fortunately for us the primordial mix of elements produced by the Big Bang gets cooked further in the stars. The type of cookery depends on the size of the star. The heating is produced by gravity squeezing the material together, so bigger stars get hotter and burn faster.

Our sun, which is 15mC inside, can only make helium. The crucial reaction for generating heavier elements is the fusion of three helium nuclei to make carbon. This reaction occurs in stars about 10 times the mass of the sun when they have burned all their hydrogen into helium.

Another piece of luck is that the bigger, hotter stars don't just produce the heavier elements, they also explode at the end of their short lives to blow these elements back into space so that they can be part of smaller stars and more hospitable solar systems.

By the time our sun formed 4.5bn years ago there had been enough cycles of star formation to generate a respectable mix of heavy atoms in the interstellar mix. The universe is still 99 per cent hydrogen and helium. The most common elements in the other 1 per cent are carbon, oxygen and nitrogen. "It's not chance that we are made of this stuff," says Gilmore.

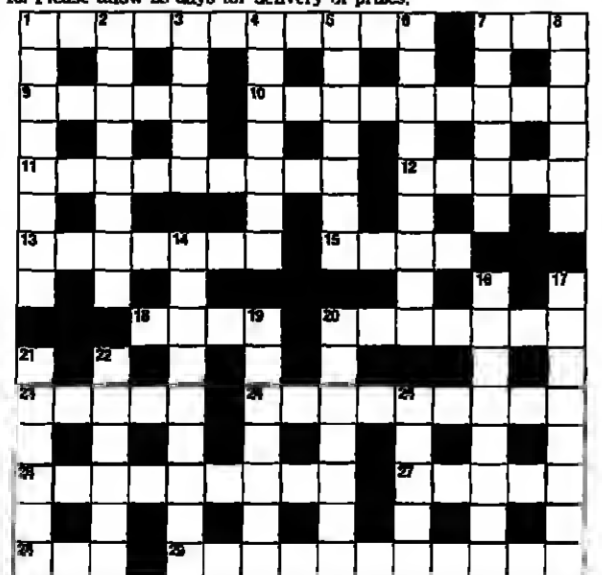
**The author is professor of psychology at the University of Nottingham.**



Cooking up some elements: the Tarantula nebula (top left) of Supernova 1987a. Science Photo Library

CROSSWORD

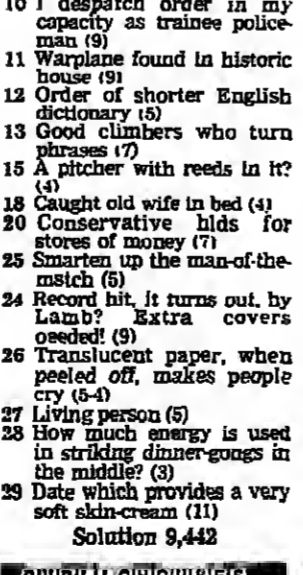
No. 9,443 Set by DINMUTZ  
A prize of a classic Pelikan Souvenir 300 fountain pen for the first correct solution opened and four runner-up prizes of Pelikan M300 fountain pens. Solutions by Wednesday August 13, marked Crossword 9,443 on the envelope, to the Financial Times, Number One South Bank Bridge, London SE1 9HL. Solution on Saturday August 16. Please allow 28 days for delivery of prizes.



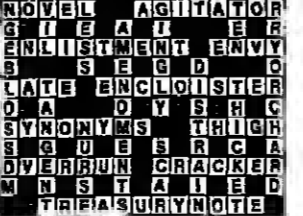
Name: \_\_\_\_\_  
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WINNERS 9,431: R.A. Broughton, London SW6; R.C. Gill, March, Cambridgeshire; Mrs S.J. Palmer, Holmes Chapel, Cheshire; Mrs E. Russell, Brighton, Sussex; P. Symonds, London WC1.

- ACROSS**  
1 C. Stratton's general rough-and-ready method (4,2,5)  
7 Seeing red bananas? (3)  
9 Light entertainment magazine (5)  
10 I despatch order in my capacity as trainee policeman (9)  
11 Warplane found in historic house (9)  
12 Order of shorted English dictionary (5)  
13 Good climbers who turn phrases (7)  
15 A pitcher with reeds in it? (4)  
18 Caught old wife in bed (4)  
20 Conservative bids for stores of money (7)  
25 Smarten up the man-of-the-mech (5)  
24 Record hit, it turns out, by Lamb? Extra covers needed (9)  
26 Translucent paper, when peeled off, makes people cry (5-4)  
27 Living person (5)  
28 How much energy is used in striking dinner-gongs in the middle? (3)  
29 Date which provides a very soft skin-cream (11)

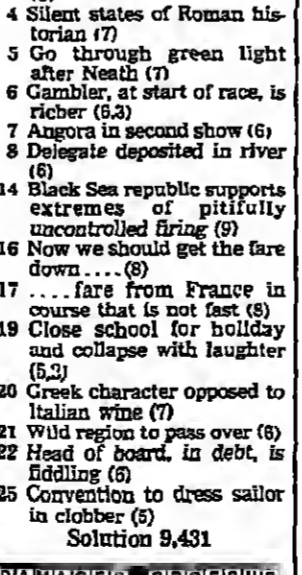


Solution 9,442

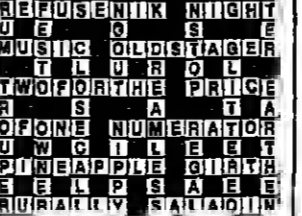


Solution 9,443

- DOWN**  
1 Country-minded type has Rugby trials arranged (8)  
2 City seller of fragrant shrub (6)  
3 Works and sometimes plays (5)  
4 Silent states of Roman historian (7)  
5 Go through green light after death (7)  
6 Gambler, at start of race, is richer (5,3)  
7 Angora in second show (6)  
8 Delegate deposited in river (6)  
14 Black Sea republic supports extremes of pitifully uncontrolled firing (9)  
16 Now we should get the fare down... (5)  
17 ... fare from France in course that is not fast (8)  
19 Close school for holiday and collapse with laughter (5,3)  
20 Greek character opposed to Italian wine (7)  
22 Head of board, in debt, is fiddling (6)  
25 Convention to dress sailor in clobber (5)



Solution 9,442



Solution 9,443

BRIDGE

Financing should be a last resort, especially if a slam contract relies on its success. Here, the declarer found a finesse to ensure his contract, even if it lost. Now, that's my kind of finesse.

**N**  
♠ J 10 8 6  
♥ A Q 4  
♦ A K 10 6  
♣ 5 3

**W**  
♠ 7  
♥ J 10 3  
♦ J 9 4 2  
♣ Q 9 8 6 2

**E**  
♠ 4  
♥ K 9 8 6  
♦ 8 5  
♣ A K J 10 7 4

**S**  
♠ A K Q 9 5 3 2  
♥ 7 5 2  
♦ Q 7 3  
♣ -

North East South West  
- 1C 2S 3C  
5S NB 6S

The bidding was a mixture of gung-ho rubber bridge aggression and expert understanding. Over East's opening bid, South made an intermediate jump overall, indicating at least six spades and opening hand values. Usually a jump to five of a major asks partner to bid a slam with high quality trumps. However, when the opponents have bid a suit, the meaning changes. Here, North's 5S bid was asking

South to bid a slam if he held first or second round control in clubs. With his club void, South was happy to co-operate.

West started with a small club, which declarer ruffed. With East having opened, the heart finesse seemed doomed. However, it would not be needed if dummy's fourth round of diamonds became good, as this could be used to pitch a heart loser from hand. Declarer drew trumps in one round, crossed to dummy with A♠, and ruffed his remaining club in hand. This play prevents East-West from leading a club safely. He played Q♠ and led his last diamond. When West followed small, he finessed with 10♠. This held, and he discarded a losing heart on K♠.

Was he lucky that the diamond finesse won? Not a bit. Had it lost, East would have been forced to play either a heart around to dummy's ♠AQ, or a club, conceding a ruff and discard. Even if West shows out on the third round of diamonds, declarer could play Q♠, and exit with 10♠, throwing a heart from hand. Once again, East would be on lead, and played into providing the 12th trick.

**Paul Mendelson**

CHESS

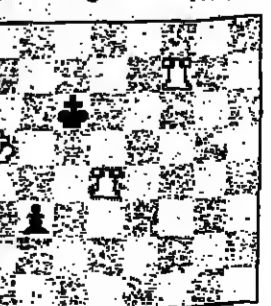
Harriet Hunt, 19, from Oxford, won gold at the world girls' championship in Poland last weekend, the best result yet for the UK's fast improving female chess players. Hunt, Britain's No 2 woman, had seeded only eighth against the ex-Soviets who normally monopolise the title, is our first winner since Elaine Saunders, now Pritchard, in 1937. She beat her rivals by inventive attacking play, winning six of her last seven games.

Both the under-20 world title formerly won by Spassky, Karpov and Kasparov and the corresponding event for girls are intensely competitive. Western juniors have traditionally been the supporting cast to well-trained Chinese and ex-Soviets, but this time the Russians also failed in the boys event where America's Tal Shaked came late to win on tie-break.

Knowledge of standard positions is important for strong players. When Hunt chose an outmoded black system in today's game, her Georgian opponent was all at sea with strategic errors (Lomnashvili v Hunt).  
1 d4 Nf6 2 c4 e6 3 Nc3 Bb4 4 e3 0-0 5 Bb3 c5 6 f3 Bxc3+ 7 bxc3 Nc6 8 Ne2 d6 9 e4 Ne8

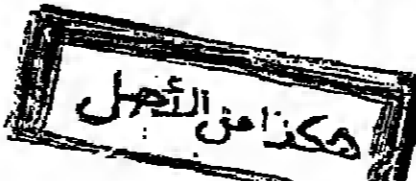
10 e5! Over-ambitious; 10 Bc3 is better, aiming to force Black to stabilise the central pawns. Bc3 11 Qd2 Better 11 Qd3, 12 Bc3 13 Bc4 Bc3 14 Bxc6 Rxc6 White is already in trouble. The c4 pawn is weak, and Black's bishop has fine scope.

15 Qa4 Qc6 16 d5 Rc7 17 dxc6 dxc6 18 Rd1 Bb7 19 Rd7 fxc6 20 Rxc7 Qxc7 21 0-0 Nd6 22 Bb1 Bc6 23 Qc3 Conceding another pawn, but 23 Qb8 Nf5 planning Qb7-a6 also favours Black. Nxc4 24 Qc6 Qc7 25 Qc3 Qb5 26 Re1 Nxc3 27 Nc1 Nc4 28 Nd3 Bb6 29 f3 Bg5 30 Qf2 Bxc3 31 g3 Bb5 32 Re5. Black is four pawns up and threatening Rf5 and Qc3.



No 1191  
White mates in three moves, against any defence.

**Leonard Barden**  
Solution Back Page



## PERSPECTIVES



Joe Rogaly

## Make 'em pay for their freeway

If you supply something – whether road or computer network – for nothing, you will be smothered by demand

W e drivers will never get anywhere unless we price the other cars off the road. Freeways create gridlock. The open road is an open invitation to stampede towards the great crawl, regardless of the social cost. Motorways without tolls are the contemporary equivalent of common grazing land, worn out by an accumulation of individual farmers' decisions to let their sheep loose on supposedly free fodder.

The equation is not hard to understand. If you supply something for nothing, prepare to be smothered by demand. This applies to kisses, unmeted water, Britain's health service, the internet. Water, health and e-mail are paid for through taxation or connection charges or bills from the utility or phone

company. Some are variable, some are flat rate. This makes no difference. All are free at the time of use. That is the source of the trouble.

Permit me a small deviation. The way I see it, there are profound differences between snarl-ups on the web and their equivalent on the roads. Net-nuts can download and sign on later. Road-bogs cannot pick up their automobiles and carry them home. We can add computer and telephone capacity relatively cheaply and without collateral damage. New highways are expensive and devastating. Messages are ephemeral abstractions, exhaust fumes linger in the atmosphere.

Never mind. The economics are the same, whether you are talking of unpriced access to an electronic link or a ribbon of tar

or concrete. The only way to tame the motor car is to start with this proposition. This was recognised in Britain in the mid-1960s, when a committee chaired by Reuben Smeed concluded that the best chance of restraining traffic would be road-pricing. Alas, no government since then has had the courage of Dr Smeed's convictions.

During the 1970s, road pricing was rejected on the ground that it was too complicated. Toll booths were costly. The best in-car charging mechanism then on offer was an adaptation of the taxi meter. Anyway, charges would hit the poor. The suggestion that welfare cheques or tax credits could make up the difference was turned down.

Labour ministers believed that an "integrated plan for transport" could be made to work.

Government officials would build roads, run railways, instruct bus operators to erect shelters, bring them all together. They did not, could not, know what they were doing.

After 1979, when Margaret Thatcher came to office, the phrase "integrated plan for transport" was forbidden. Roads were in. Rail was out. During the 18 Tory years some advisers in 10 Downing Street toyed with tolls. One transport minister openly favoured them. Electronic sensors and smart cards could make them easier to collect. All that was lacking was courage.

Perhaps Britain's New Labour government will have the nerve to do what its predecessors fumbled. If so, we must pray that Tony Blair's administration gets it right. The wrong approach to toll roads is to regard them as a

privately financed substitute for what taxpayers will not support. That is what is happening in 30 US states. In the early decades of the republic, turnpikes were privately constructed and operated. Since the taxpayer revolts of the 1980s the tide has turned US roadbuilding back to its origins.

The same waves are washing over Britain. This week a scheme for a £370m privately financed Birmingham relief road, to be paid for by tolls, was agreed by the transport minister. That was unfortunate, a mistake. The way to relieve Birmingham is not to build another highway, but to police congestion out of the existing routes.

It does not matter who owns the roads, although a private corporation would be best. The regulator (Ofroad) would insist that the operator charged double or

treble during peak hours. This would make every user prove by paying that his or her trip was necessary. The profits could be diverted to supporting public transport in the region. This strategy could be adopted for all of Britain's road network, including the maze of streets in central London. We must hope that happens when the capital has an elected mayor.

He or she would find it a practical proposition. By that time, the turn of the century, the technology of road pricing will be well advanced. Coin-operated toll booths are out of date. Tags on windshields or sun-visors, read by roadside sensors, are already in use in California. Tolls are collected electronically in Singapore, Florida, Oklahoma, Texas, and several European countries. The next generation of operators

may use satellites to read and mark smart cards carried in a dashboard device. French farmers are experimenting with sky-borne tracking of cattle, so why not cars?

The challenge to the Labour government is to introduce road pricing. It would be an achievement as significant as globally trend-setting, as Labour's declared intent to reduce welfare costs. Higher petrol taxes make a marginal difference to road usage. Taxing parking places would add another featherweight of deterrence. Such a mix of saccharin expedients is the lite option.

The real thing is better: confront motorists with a price tag for each journey. On this matter, I am an unashamed capitalist roadster.

E-mail: joe.rogaly@ft.com



Susan Greenfield: an imagination 'gives you an attention span exceeding a few microseconds. It gives you the power to escape from the present... If you don't have an imagination, if you don't have mental inner resources, then you can't interpret what you see'

Reo Judges

Lunch with the FT

## Bungee-jumping for the mind

Christian Tyler tries to keep up with brain scientist Susan Greenfield's elastic thinking

Bungee-jumping is Susan Greenfield's metaphor of the moment. What she calls "a kind of controlled hanging, a controlled accident" nicely illustrates her belief that today's generation is thrill-obsessed and trapped in the present.

The spectacle of people throwing themselves head first towards the ground on an elastic rope has also helped this brain scientist develop her ideas for a book she is writing on pleasure as the prime motivator of human behaviour.

Of course, bungee-jumping is not new. Decades ago, the National Geographic magazine showed us pictures of jungle-dwellers launching themselves off rickety wooden towers with vines knotted round their ankles. But as a metaphor it describes Greenfield quite well, too.

When she speaks, you get to see the verbal equivalent of bungee-jumping: a precipitate, headlong rush down an infinitely elastic thought-thread. Greenfield is not to be brought up short. Indeed, strictly speaking, she is not interviewable at all. Just touch the button marked "press" – and she's off.

Which is not to say that her in-flight commentary is nonsense. You just need a lot of spare brain cells to keep track of it.

We lunched at the brain-food capital of Oxfordshire, Le Manoir aux Quat Saisons, a Michelin-starred restaurant whose cuisine, as much architectonic as gastronomic, is designed to stop you dead in your tracks. It hardly stopped Greenfield.

There was a tray of handcrafted tasters to begin with, charmingly introduced by a waitress with an outrageous French accent. Green-

field loves food, and she gave these little artefacts a full two seconds of her attention. The first course, I think, was asparagus mousse, and I seem to remember a main course looking like a bird of paradise posed on the plate as if for a painting. We ordered a bottle of Vouvray, whose flowery fumes went straight to the brain stem. They invigorated her, retarded mine.

Like many academics today, Greenfield is a practised media-monger. She writes a fortnightly column for a newspaper, she writes popular science; she gets on to the radio and she is mentioned in fashion magazines. It helps, of course, that she is the academic equivalent of the "It" girl, a brain on legs who can talk about science being a male bastion one day and give a lecture in a mini-skirt the next.

But let us leave Greenfield's long slim legs out of this. She is a fellow of Lincoln College, Oxford, and Professor of Pharmacology at the university. (This, she explained, is a new-fangled professorship which has no chair and brings no extra pay, but is awarded as a mark of excellence.)

Her day job is to study the brain's chemical transmitters, in particular how brain cells degenerate in diseases such as Parkinson's and Alzheimer's. For recreation, she moves into philosophical mode, to suggest ways of tackling the once-again academically fashionable problem of consciousness, or mind.

In between, she writes and lectures. In 1994, she was the first woman to give the Christmas lectures at the Royal Institution; it was a guided tour of the brain which she has just turned into a book (*The Human Brain: A Guided Tour*, Weidenfeld & Nicolson). She

would give her eye teeth to be invited to do the BBC Reith lectures. She gets up at five in the morning and works from seven to seven.

I was hunting for a decorous lunchtime subject. Men's brains versus women's brains? Nature versus nurture? Dolly the Sheep? Pop science? We touched on them all before the main course arrived.

She told me how her baby brother, aged three, asked the mind-brain question when confronted by the stare of a dead rabbit her mother had bought at the butcher's; how her mother, a

shallow absolute and gerunds, the fancy stuff, to have someone who calls himself educated and doesn't know what a main verb is – I do find that deeply worrying.

You're impaired if you don't know what an active verb is? "Well, I would never accuse someone of being impaired." Deficient as a thinking machine, then?

"I think there are two problems. First, the lack of formal grammar means their thinking is not as disciplined as that of people who have done classics. It's all rather waffly, intuitive and fuzzy."

The bigger problem stems from the rise of the CD-Rom and so on. In the old days I spent most of my time – and I'm sure you did – curled up in a corner with a book. Your imagination was able to transport you. This very unfortunate modern phrase 'in your face' is nonetheless appropriate for the average young person now. They press a button and get instant gratification. They have a visual image imposed on them, whereas we had to use our imaginations."

Why is that better? "Because it gives you an attention span exceeding a few microseconds. It gives you the power to escape from the present and go into the past or the future or to some timeless place. If you don't have an imagination, if you don't have mental inner resources, then you can't interpret what you see."

You are a flatter personality? "Some might argue that the sort of person who roves the streets looking for kicks, and mugs old ladies, who looks for immediate sensual gratification in booze or drugs... that these were flat personalities compared to someone

like Bertrand Russell, let's say." She laughed, adding: "Just to take a typical example."

Today's generation was fact-orientated. "We are indeed producing scientists; but I would call them technologists, people who can press buttons, interact with machines. Sorry to sound terribly reactionary."

Her next book explores a related idea, that all human behaviour is motivated by pleasure in some way. She talked about ravers and drug-takers and the "pleasurable rhythms of sex, chewing, and dancing."

"When people go bungee-jumping or white-water rafting, when you have orgasms or when you eat, you are reducing your world to a very present one. You are abrogating past and future, blowing your mind, exactly as people say. My book will say that extreme pleasure is an abrogation of personality."

What do you do for pleasure? "I just work all the time."

I mean, when you want to calm down.

"I'm not calm. People often say to me: 'You realise you wear people out, don't you?' When other people do gardening or photography or listen to music, that's when I do these things on consciousness. Actually my hobbies are shopping and eating. I really do love shopping – clothes shopping, hubbly-bath shopping."

Were you always so hyper? "I don't really see myself as hyper. People tell me I am, and they tell me I speak very fast. I don't think I do. I know I come across as manic. Do I come across as manic to you?"

Not at all, I said weakly, and called for the bill.

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Today's generation was fact-orientated. "We are indeed producing scientists; but I would call them technologists, people who can press buttons, interact with machines. Sorry to sound terribly reactionary."

Her next book explores a related idea, that all human behaviour is motivated by pleasure in some way. She talked about ravers and drug-takers and the "pleasurable rhythms of sex, chewing, and dancing."

"When people go bungee-jumping or white-water rafting, when you have orgasms or when you eat, you are reducing your world to a very present one. You are abrogating past and future, blowing your mind, exactly as people say. My book will say that extreme pleasure is an abrogation of personality."

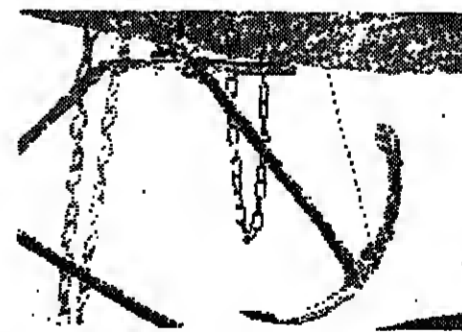
What do you do for pleasure? "I just work all the time."

I mean, when you want to calm down.

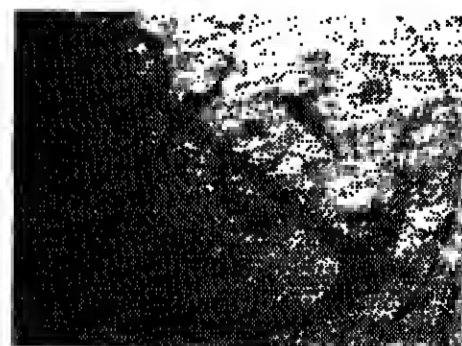
"I'm not calm. People often say to me: 'You realise you wear people out, don't you?' When other people do gardening or photography or listen to music, that's when I do these things on consciousness. Actually my hobbies are shopping and eating. I really do love shopping – clothes shopping, hubbly-bath shopping."

Were you always so hyper? "I don't really see myself as hyper. People tell me I am, and they tell me I speak very fast. I don't think I do. I know I come across as manic. Do I come across as manic to you?"

Not at all, I said weakly, and called for the bill.



MOOR



THE MERRIER

CORNER WALK	2-9 August
5TH CORNWALL TOWN MATHS FESTIVAL: TRIST BRIDGE	7-11 August
EDINBURGH FESTIVAL: NATIONAL FESTIVAL	10-10 August
FINCH: NAT WEST TRIP, LONDON	6 September
BURGHLEY HOUSE: TALKS, SHAWTON	11-13 September
ST LEGER STABLES, DONCASTER	15 September
LAST NIGHT OF THE PROMS	18 September
BRITISH MUSICIAN AWARDS	18-21 September
LA FLOUVE: 'LES QUAT' Saisons - GOLF MILLON	1-4 October
THE WESTERN ORCHESTRA FESTIVAL	16 October-2 November

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PERSPECTIVES

Dispatches

# The valley of burning desires

Alex Morrowsmith ventures into a trouble-spot with the peace-keepers

For the Valley of Death, read the Valley that Died. Alfred Lord Tennyson, might not have made much of Makronovi Valley in south-west Bosnia. Nothing much volleyed and thundered - as such.

But all in a May evening in this year of 1997, Catholic Bosnian Croats torched 60-odd homesteads, in a verdant vale of tears deserted by all but some octogenarian Serbs who were too set in their ways to move.

"It is easy to torch a valley hereabouts," says Major Ian Hope of Princess Patricia's Canadian Light Infantry, part of the stabilisation force - SFOR, a Nato outfit under a UN mandate tasked with keeping the former warring factions from re-warring.

"All you have to do is knock the roofing tiles off the houses and take out the doors. This gives a good up-draught and all-over blaze when you lob in highly inflammable material," said Hope, a smallish, intense, highly articulate light infantryman from Nova Scotia, who certainly knew what he was about.

"We came into the valley at about one in the morning," he

recalls. "The valley was on fire from end to end. All we could do was get the old folk out."

And why the conflagration?

The Croats were ensuring that the former householders, Orthodox Serbs and fellow-Christians who fled to avoid earlier slaughter, would not return to register and vote in the off-delayed elections scheduled for September.

Hope turns stern and Calvinistic: "Fortunately, the old people were not harmed before we got there - otherwise we might have had to get a bit heavy with some guys who were still in the area." They reckon Canadians are slow to anger - but God forbid that you should ever get in the way of righteous wrath.

We pass by Land Rover through Titov Drvar, a forsaken town with a hand-dog feel to it.

Bombardier Ginge Farah drives and Captain Matt Allott provides a commentary.

Allott is usually high on a hill as Forward Observation Officer for G Para Battery of 7 Royal Horse Artillery, ready to bring down British fire in support of the Canadians, should there be any war-like movement from a Croat Guards battalion and their sorry-looking Soviet tanks based in this sadly pessimistic garrison town.

There was a majority Serb population here before the Croat offensive in August 1995.

Earlier, Allott had given us the "sitrep". How the staccato words come back. As an old Rifleman I find myself remembering everything there was to know - in another ghastly place - about "The Platoon in Attack"

and "Advance to Contact". With the exception of the elderly Serbs, most of whom live in the torched valley, Drvar was abandoned in 1995 and resettled by 8,000 Croat Displaced Persons.

There are only three small

working factories in the town - including a sawmill and a water pump spare parts facility. There are 150 bars and cafes, dozens of kiosks and a few small hotels and shops.

One doctor mans the hospital and a primary school sometimes functions. Up by the Canadians' barracks - a position that even Wellington would have found difficult to defend - the SFOR troops are proud of the children's playground they have constructed from old timber and tyres.

Nearby caves served as Tito's headquarters during the second world war. In May 1944, German glider and paratroops attempted to snatch the Croat who led Yugoslavia against the Nazi invaders. He escaped and went on to rule Yugoslavia until his

death in 1980.

The force of Tito's personality curbed any leanings towards civil war among his varied and divided people. There are many who believe he is sorely missed.

When you come to make comparisons, Bosnia is a little like Ulster in that nothing is as it seems and no one ever seems to get anything right. On July 10, Nato troops in the north-west shot dead a suspected Bosnian Serb war criminal and snatched another. This did not please many of the locals and the Russians were unhappy.

Then there are parades - it has always seemed unthinkable that the Orange marching season in Ulster, including the Twelfth of July, should ever pass off peacefully. Rotten public relations and downright bloodymindedness

used to see to that.

In Titov Drvar, last Armistice Day, it looked like a PR godsend when a group of Croat old soldiers of second world war vintage asked if they could parade with the British troops on November 11.

Drawn up on parade on the day, they were as fine a body of veterans as would be found around countless war memorials in Britain and the Commonwealth.

All were wearing their various medals and orders from their ancient conflicts - rather stern bits of ribbon and tin, in contrast to the more flamboyant signs of pride on the breasts of today's young British soldiers.

The old Croat soldiers had quite a few highly identifiable Iron Crosses among them, along with other badges for bravery awarded by their Nazi allies.

These were old, unembarrassed men who must have been proud to serve a certain cause when they were young and saw life and history in a different light.

This, after all, is the Balkans, where one man's atrocity is another man's proud moment.

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There are bad and dangerous women in this world - women murderers, bank robbers, terrorists, kidnappers and gangsters.

But everywhere, consistently and predictably, violent or other serious crime is mainly the preserve of males. In the US, for example, men are almost eight times as likely as women to commit violent crimes.

Because of patriarchy and patriotism, human male violence is bred in the bone - one of the legacies, say zoologists, of our ape and woodland ancestry.

We are part of a group within the ape kingdom in which males rule by combining in powerful, unpredictable and hierarchical coalitions for which the main order of business is persistent rivalry - sometimes leading to war - with other male coalitions.

If you doubt my word, look around you next time you are in the office. You will see small gangs of males, or individuals belonging to gangs, muttering by the coffee machine about rival gangs or individuals: how to demean and usurp them: how to obliterate them from the face of the earth.

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My name is Jane Astor. I am an American-trained, London-based private investigator.

Don't get me wrong. I like men individually. As a post-feminist, I enjoy their company and silly tribal games. I know how to use men - and do so, selfishly. At college in America I majored in zoology, so I know about the evolutionary forces that made men what they are. I sympathise with them. Men are biologically redundant: leishovers from the rainforest; superfluous to requirements; on their way down.

But my knowledge of the male predicament does not blind me to the potential for hideous violence locked in their genes. I am 33 years of age and hope to live until at least 2060; as a consequence, I treat men warily.

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Not for the first time, I explained all this the other morning to my assistant, Paul Willson. We had walked from my house near Marble Arch to the cafe on Baker Street where we often have breakfast. Paul is 20, with long, greasy hair. He is reasonably eccentric but is excellent at data retrieval and other computer arts, and is a promising investigator.

Our current client is Elizabeth Mallalieu - rich, beautiful and recently widowed. Her husband, Robert, a gold market specialist, was murdered in London's Little Venice on May 9.

The police are treating his death as a fatal mugging, but his widow has hired me to discover whether there was more to it than that. She told me she wanted peace of mind - to know that her husband's death had been exhaustively examined. They separated 14 years ago but had remained good friends.

For several weeks my investigation has wandered through the labyrinths of two separate markets - gold and art fakes. I



wanted to get to the bottom of Mallalieu's tangled relationship with a Russian lawyer and businessman, Dmitri Zhuruvsky - formerly my principal suspect.

Zhuruvsky is a client of the precious metals firm Mallalieu founded, Brightsun Investments. The Russian has lost more than \$20m by investing in gold. And Mallalieu and Zhuruvsky both collected art fakes. Fake works of art are now traded openly in a sort of secondary market; some are quite valuable.

In the end, Zhuruvsky convinced me he had no motive for ordering Mallalieu's murder. On the contrary, he gave me several pointers. Above all, he told me to turn my investigation on its head, to stop looking outwards and start peering inwards - at Elizabeth Mallalieu herself.

According to Zhuruvsky, there is a strong possibility that Robert Mallalieu's murderer is Elizabeth Mallalieu's lover - a 29-year-old ex-British paratrooper and former army boxing champion named Lee Hamer.

Nineteen months ago, Hamer was court-martialled and thrown out of the Paras for severely beating another soldier with his fists following an argument about a borrowed paperback.

Robert Mallalieu was killed on the street near Elizabeth's home. His throat was cut; he died in the gutter. The other morning, Paul and I were debating whether Elizabeth suspected Hamer had killed her husband when she hired us.

"Paul," I said impatiently. He was finishing his third plate of food and second pint of milk. "We are not going to find out what Elizabeth suspected until she gets back from holiday in Sardinia. If she imagines there is a chance that Lee Hamer killed Robert, she hasn't told me about it. Yet I don't think I have a problem with that. What does it suggest to you, Paul?"

Paul mumbled.

"Speak up," I said. He never fails to react when I lapse into my Kroil Associates voice. For three years up to November 1994, I worked as a corporate investigator at Kroil's

## FAKE: Chapter 7 by Michael Thompson-Noel

Jane Astor, a private detective, is investigating the murder of a London gold market specialist, Robert Mallalieu.

Her prime suspect was a Russian businessman, Dmitri Zhuruvsky, who was involved with the murdered man in two separate markets: gold and art fakes.

But Zhuruvsky has convinced Astor of his innocence and given her a key pointer, advising her to focus on her own client, Elizabeth Mallalieu, the dead man's widow. Zhuruvsky says Elizabeth is in danger.

Astor, 33, is a post-feminist. Her assistant, Paul Willson, is an eccentric, trance-dancing 20-year-old.

As the twists of the Mallalieu case have unfolded, this odd couple have realised they are pitted against a formidable foe...

Miami office, but then my father died. When I was 12, my father took me and my mother to Florida, where I grew up. He was a golf course designer. In 18 years, he designed more than 40 golf courses across the American sunbelt. Invariably, he incorporated in his designs artfully adapted references to the famous British seaside links courses that have left such an imprint on golf's evolution.

In his will my father left me \$3m. So I chucked it in at Kroil and moved to London, where, for want of something to do, I set myself up as a one-woman detective agency - one woman plus male assistant. With money like that in the bank, I can afford a relaxed attitude to work. I work four days a week, 42 weeks a year. The rest of the time, Paul and I have fun. We like to bet on sport. And we take long holidays, usually in the tropics.

Yet I take my cases seriously. Paul and I give value. Our clients are lucky, whether they know it or not. Armed with the informa-

tion Dmitri Zhuruvsky gave me, I have vowed I will nail Mallalieu's killer.

"Speak up, Paul," I said again, lighting a cigarette, blowing a perfect smoke-ring and waving to the waiter to bring another pint of milk. Paul needs his calories.

"What I said, Jane, was that if Elizabeth didn't mention Lee Hamer when she hired you, or anything about him, including his court-martial or that Hamer was her lover, it could have been because she was terrified of him. Or... knowing Hamer's violent streak but not ready to admit to herself that he might have killed her husband, perhaps she thought she would hire an investigator like you, and see what you dug up."

I blew another smoke-ring. Something Paul had said had triggered an alarm. I couldn't grasp what it signified, but I knew it would come eventually.

Paul pushed his hair back. "The first possibility," he continued, "isn't really convincing. She could have told the police about

Hamer the day Mallalieu was murdered; but she didn't. So the second theory seems more promising. Deep down, Elizabeth had an inkling that Lee Hamer killed Robert. But for some reason - something psychological, to do with her relationship with Hamer, who sounds like a thug - didn't want to face facts. Unconsciously, hiring you was how she handled her suspicions."

"Good, Paul," I said. "Excellent, in fact. Let's just summarise what we know about Lee Hamer - and also about Elizabeth - because over the next few days we're going to be covering a lot of ground. So far as we know, Elizabeth is in Sardinia on her own, and returns in some days' time. If Hamer doesn't know about us - if Elizabeth hasn't told him she has hired investigators to examine aspects of the case the police are ignoring - then Hamer is going to be vexed when he does find out, which will happen pretty shortly. OK so far?"

Noisily, Paul glugged some milk. "Thank you, Paul," I said. "Always nice to hear a broadcast from Planet Willson." Paul stopped drinking, and looked at me aggressively. "So," I continued, "what have we got? Zhuruvsky says he was a close friend of Robert Mallalieu's, and that Robert told him Elizabeth was a hopeless handkerchief of money who lived beyond her means. Second, Zhuruvsky says Elizabeth has a taste for rough trade like Lee Hamer. Elizabeth is 43, Hamer is 29."

"When they separated 17 years ago, Robert gave his wife their house in Little Venice and undertook to pay all costs - especially school fees - associated with the upbringing of their two daughters. In addition, Elizabeth supports herself by running a garden design firm. But Zhuruvsky says Elizabeth is incompetent: she is heavily in debt. It is for that reason, says Zhuruvsky, that it was unprofessional of me - I rolled my eyes, and lit another cigarette - to have ignored something I was told at the start: that ownership of Robert Mallalieu's firm, Brightsun Investments, now

passes to Elizabeth. Brightsun, it is estimated, is worth £35m.

"When we met him in Scotland, Zhuruvsky didn't indicate that he thought Elizabeth was involved in Robert's murder. But he did tell me he thought her taste in lovers was worth investigating. Many women, Paul, are attracted to strong violent men. It's something they can't control. A few women, it is true, like a different type of male - skinny ones with long, greasy hair who think the epitome of cool and recklessness is a splash of kOOna. But that's their funeral. Paul, Charles Darwin would have said they were choosing very poorly."

Paul muttered something, but I wanted to press on. I listed what we knew about Lee Hamer. He had been in the Parachute Regiment, which is based in Aldershot but usually has troops in Northern Ireland (Hamer had been there twice); and he had boxed for the army. Two months after being evicted from the Paras, Hamer was hired by Elizabeth as a contract worker. They soon became lovers.

"I saw Lee Hamer at Elizabeth's house the first time I met her," I told Paul.

"You thought he was the gardener?"

"He was mowing the lawn."

"What did he look like?"

"6ft 2in or so, crewcut, heavy-set, with a tattoo over his left breast. All paratroopers have tattoos."

"You do know a lot," said Paul. I blew smoke in his face, and signalled for the bill.

"Let's crack on," I said, getting to my feet. "We've got a few days before our client returns from Sardinia. I want to find out all there is to know about Lee Hamer - and about Elizabeth herself. When we met him, Zhuruvsky told me that you and I had been lured into a quagmire. Someone was making fools of us. And he warned me that Elizabeth was in danger from Lee Hamer, who is besotted with her and wants to marry her."

"It looks as though Hamer had guessed Elizabeth's money troubles would be solved - thanks to

Brightsun Investments - if Robert Mallalieu was eliminated. Zhuruvsky was cautious; he's a lawyer, after all. But he said the likelihood was that Hamer murdered Mallalieu."

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For four days, Paul and I worked extraordinarily hard, building up a profile of Lee Hamer, and also of Elizabeth Mallalieu. The more we learned, the more I wondered why I had spent so much time investigating Zhuruvsky rather than asking whether a woman as beautiful and enigmatic as Elizabeth had not had a few squalid secrets of her own. But there you are: investigators do not usually investigate their own clients, or their clients' love lives.

In four days, Paul and I produced enough evidence to convince me that Hamer almost certainly murdered Robert Mallalieu. Then we took a break. We went racing. So far this year, Paul and I have won £16,534.74 by betting on sport. He makes all the selections, I handle the money.

Last Saturday there was a red-hot race at Ascot, involving the best 14-mile horses in the world. Paul had spent hours comparing the form of the runners, and decided there was a fortune to be made by focusing on the third favourite, a horse named Pilsudski, owned by Lord Weinstock.

"The computer says Pilsudski must finish in the first two," Paul told me, "so we'll back him in dual forecasts with the other seven runners. We can't lose, Jane. To win the dual forecast, we have to name the first two runners home. It doesn't matter which is first or which second."

Pilsudski finished second. We had backed him in seven separate £150 bets. The dual forecast on the big race paid odds of 45.1 to 1. Allowing for our six losing bets, we made a profit of £5,865.

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We were euphoric.

But three days later our case against Lee Hamer earned a grisly postscript.

Hamer was killed on the Westway flyover, halfway between Elizabeth Mallalieu's house in Little Venice and his own flat in Shepherd's Bush. He lost control of his red and white Ducati 900. Paso motorbike at an estimated 130mph.

There was not much of him left.

It was 11.30pm when we heard the news. Paul and I stared hard at one another.

Paul said: "We're up the creek, Jane. We've reached Palookaville. End of the line."

I squeezed his bare arm. "I don't believe that's true," I said. "The Mallalieu case is not quite over. But time is running out. Someone is in serious trouble, and I don't just mean us."

... TO BE CONCLUDED

All will be revealed in the final chapter of FAKE - in next Saturday's FT Weekend

All of the main characters are fictitious

## FT Weekend Competitions

This is week seven - the penultimate week of our summer series of sporting challenges.

We are offering pink champagne and thick books as prizes to the senders of the wittiest and most imaginative entries. Last week we asked readers to make the Modern Pentathlon more relevant. We were looking for events that reflected the intense competition of contemporary living: shopping, parking, commuting and eating figured foremost.

This Do-It-Yourself store is full of athletic possibilities - from finding the right-sized nail in unlabelled containers, to the purchase and erection of a self-assembly wardrobe. In the latter event, the degree of difficulty can be varied by marking none of the components and mis-marking others. However, our winning suggestions were:

■ After parking, competitors will accompany two children under the age of three into a supermarket

and take them to a lavatory for which a key must be obtained from a member of staff. (Sue Channing, Warrington, UK)

■ The Voice Mail Marathon: choose a large government bureaucracy and see who can actually get a real person on the line first. A time limit may have to be imposed as the event could take days. (Andrew Inkpen, Phoenix, Arizona)

■ Building Society Dash: contestants must open the greatest number of full-membership building society accounts on a single Saturday morning. (Terry Gannon, Twickenham, UK)

■ Competitors must, over a one-week period, find a new parking space each day in Manhattan without receiving a parking ticket. (Cynthia Parzych, London)

■ Competitors must start a mobile computer, connect it to a fax, send an e-mail, charge a volumetric greeting, shut down the equipment and re-pack. (Philip Haberman, Radlett, UK)

■ The Triple Jump: privatised industry executives compete to achieve the highest salary increase, the largest rise in pension provisions; and biggest compensation package on resignation. (Graham Hewitt, Hurst, UK)

## Competition 7: Football

Football is the marketing and media triumph of the late 1990s. Banks of well-behaved spectators pay tidy sums to sit in increasingly modern stadiums. In the UK, there is even a newly appointed "Minister for Fans" - showing how high football rates on the politicians' agenda. Perhaps this is also a clue as to what is missing from the game - a slogan, or, if you must, a mission statement.

So we want readers to devise the perfect slogan, or mission statement, for football. It can be short and sharp and advertising-led: "Just Kick It" or "The Round Ball with Edge". Or your answer will be the stuff of the company accounts, after the management consultants have toured the building, repositioned the rubber plants and manufactured the mission statement: "Football aims to delight spectators, be they in the ground, on their sofas, or gathered in front of a TV in the corner of a bar."

The six cleverest suggestions will be rewarded with a bottle of pink champagne and a thick book. Difficulties in getting the champagne past customs, mean that winners in some non-EU countries will get two thick books.

## How to enter

Send entries by post to Weekend FT: Summer Competition (Football), One Southwark Bridge, London SE1 9FL, by electronic mail to football@ft.com or by fax to (44) 0171-873 4433. Entries must be received by noon, British Summer Time, on Wednesday.

Please provide name, address and daytime telephone number.

## The ultimate challenge

Next week, we will set a final challenge, which will produce two winners, each of whom will receive two business class return tickets for air travel within Europe, courtesy of Lufthansa.

CONDITIONS: This week's competition is open to FT readers aged 18 years and over. Entries must be submitted to one of the above addresses by the specified date. The winning entries, as selected by a Weekend FT panel, will be published in the FT on Sunday August 9. The decision of the judges is final and no correspondence will be entered into. All prizes will be dispatched to winners within 28 days. There is no cash alternative. Copyright in all entries will remain with the Financial Times.



مكافآت الأبطال

BOOKS

# Down with doom and pessimism

Nicholas Kochan on why Reason and the individual should rule over all the millennium mystics

What hope for the individual? He or she is buffeted by all sorts of hostile forces, Marxism, psychoanalysis, even millenarianism. Yet, according to Raymond Tallis, only through the individual can progress and freedom be assured. This restatement of Isaiah Berlin's concept of individualism celebrates rationalism as society's only means of rebutting many of the concepts now holding sway. These include New Age theories of mysticism and trendy postmodernism.

Tallis, a professor of gerontology, calls for a revival of individual autonomy and an end to what he sees as the folkish philosophies of doom and pessimism. He harks back to the 18th century for an optimistic view of the individual's ability to shape his own place in the world. "At that time, there was a fundamental vision that we are, all of us, members of the human race. This not only elevates the oppressed, but unmask the

oppressors; it strips away the aura behind which they hide from critical evaluation. And the belief in the infinite perfectibility of man is greatly to be preferred to an inert or paralysed pessimism.

The roots of irrationalism go back almost as far as the Enlightenment itself, the very era when the individual flourished as never before. It began with the Romantics, who denied Reason any place within human affairs. These irrationalists also denied the validity of universalism, and they criticised science, calling for a return to some sort of religious authority. De Maistre is cited as the most virulent spokesman for this view.

The attack on individual autonomy was taken up in the 19th century by those who

denied Reason's universality and force. They argued that Reason was not an autonomous and conscious agent with the power to structure a better world. Tallis despairs of this defeatist view, preferring to hold that Reason is essential in shaping creative thought and giving man confidence in a confusing world.

In support of his theory of hope, he takes aim at a veritable pantheon of the giants of European culture, showing a formidable knowledge of those whom he demolishes. His bete noires of black pessimism include Dostoevsky, Durkheim, Levi-Strauss, Foucault and practitioners of cultural studies, such as Stuart Hall. Hall's work is dismissed out of hand, as "just another assault on the content-based expertise of traditional schol-

**ENEMIES OF HOPE: A CRITIQUE OF CONTEMPORARY PESSIMISM**  
by Raymond Tallis  
Macmillan £45, 498 pages

**CYNICISM AND POSTMODERNITY**  
by Timothy Bewes  
Verso Books £40, 248 pages

losophically flawed, says this thesis, but they are a social and political menace. Antocratic or paternalistic regimes dedicated to firm government have thrived during periods of the counter-enlightenment, he notes. At these times, human nature has been seen as irredeemably evil, and meo so perverse that only a strong and authoritarian saviour can lead them out of their decadent trough. The horrendous results achieved by dictators espousing irrational philosophies in our own century lends strong credence to Tallis's view.

Brilliantly argued and with a wide range of erudition, *Enemies of Hope* shows how hope can be a force for progress. Starting with hope, the worst you risk is disappointment, says the author; starting with pessimism, you

risk embitterment and despair whose consequence is false messiahs and dictators.

You may also risk cynicism, the subject of Timothy Bewes' new book on postmodernism. Diogenes, the first cynic, does not figure at all in Tallis' book but Timothy Bewes makes out a good case why he should - or at least his successors in today's world should. If the cynics of classical times opposed the values of their contemporaries, at least they cherished certain values of their own: not so their successors.

Today's cynic is far more radical in his disillusion, reveling in his alienation not so much because he denounces society's values but rather because he refuses to engage with them altogether. Bewes shows how the

tradition of literary and political cynicism has been cast off by today's cynics who have embraced hollow aestheticism or even nihilism.

Bewes puts postmodernist cynicism into a political context, arguing that its effect is to eliminate idealism and reduce the political struggle to no more than a choice between competing means. "That children should do their homework is about as political as the declaration that grass should be green," he expostulates in his despair at the poverty of much current political thinking.

As the 20th century reaches its ignominious end, the attractions of fatalistic theories of the millennium are likely to be strongly promoted and accepted. These two powerfully argued books offer a way through the impasse of pessimism to the sunny uplands of hope. They show how the individual can find his or her own millennium, freed of the horns pocus of pessimists and mystics.

## One damn thing after another

John Ramsden wades his way through an austere chronological history of the 20th century

One Martin Gilbert is one of Britain's most eminent historians and prolific authors. Since 1963 when he produced the splendidly trenchant, opinionated *The Appeasers*, he has published another 50 volumes, 19 of them in connection with his official biography of Winston Churchill.

Gilbert is also, though, a man whose books can be frustrating in the extreme, for his oft-asserted view is that the historian should use his scholarship to assemble the facts rather than to intrude with opinions or to offer conclusions; the reader is thus given the raw materials and remains free to judge for himself.

In this *History of the Twentieth Century*, we are offered "narrative history" but it might more accurately have been called "chronological history" for the organising principle is simply the order in which events occurred. Events (or at least those events that were reported and discussed in the west - this is all too often world history that made *The Times* headlines) have determined the shape of the entire project in what has been called "the *What Katy Did* Next school of history".

The book's maps locate the places mentioned in the text: we are shown Bargoed, Letchworth and Poldin (in Cornwall, stupid), but not Birmingham; and in Canada, Fernie (yes, Fernie - it caught fire in 1903) gets in but not Edmonton (which suffered no headline-grabbing disaster). The maps say much about the book's approach, but did Birmingham

play a lesser part in "history" than Bargoed? With Gilbert's Stalinist writing, even Homer must nod sometimes. There are too many slips and far too many repetitions: do we really need to know four times about the Bosch magnet, or three times that Roger Casement exposed (among other things) atrocities in the Congo?

Gilbert's knowledge and scholarship make him in many ways ideally suited to write a history of our century, and great insights emerge. The Kaiser said that Britain in 1914 had a "contemptibly small army" and not a "contemptible little army" as invariably mistranslated. The book is splendid on the worldwide impact of "Spanish flu" in 1918-1919. It gives appropriate weight to Turkey as few European historians do, passages both on the Bolshevik Revolution and on the rise of Mussolini are vivid and beautifully written, and quotations are well-chosen.

There are also undeniably advantages from Gilbert's austere chronology: due weight is given to a Franco-German rapprochement in 1908, often disregarded in deterministic accounts of pre-1914; parallels emerge between Austro-Hungarians and British, each allowing army officers to avoid service in conflicts with their

own racial or religious position. Nonetheless, facts just do not speak for themselves - there are too many of them. A historian has to select ruthlessly, and an author like Gilbert who eschews a historical "line" is arguably shirking responsibility for those decisions. Atlee thought Churchill's *History of the English-Speaking Peoples* should have been called "things in history which interested me". That judgment would be unduly harsh here, but this book is certainly the things in history that Gilbert thought important. Would anyone but the biographer of Sir Horace Rumbold give him more citations than Edward VII and Georges Clemenceau added together? (And even Lady Rumbold gets as many mentions as President Coolidge.) Naturally, Churchill's official biographer gives him centre stage, 10 citations in the first 200 pages, while neither Balfour nor Asquith have yet attracted the author's attention.



the alternative viewpoint. His casual remark that Germany's atrocities in Belgium were "at times" exaggerated by the Allies (this being one of the most mendacious examples of invention in the history of propaganda) rather gives him away.

Gilbert may believe in German atrocities for another reason, his determination to prove (as Churchill put it in 1920), "what a terrible disappointment the 20th century has been". Every famine, epidemic, cyclone or fire, and every war is listed, with full casualty figures, as is the annual toll of road deaths. The Great War is given a rather old-fashioned slant, with little acknowledgement of continuing patriotism or of the tactical advances of 1917-18 which enabled the Allies to defeat the German army (the big-

gest ever victory by the British army, though you would not know it here). Accounts of Balkan wars and Armenian massacres are given with detail that verges on the pornographic; those who enjoy reading about severed heads will find much to titillate their taste-buds.

Most chapters offer token relief in one final paragraph on technical innovations, but there is no sense of the

steadily-improving life-quality. Token paragraphs on the arts and on Olympic sport do not help either. The examples chosen are eccentric, and make little difference to the overall feel of a fundamentally gloomy book. To note that Copland's first symphony was published in 1925 (one that even textbooks do not mention) while ignoring the existence of Strauss and Mahler is dis-

tinctly odd. But to fail to mention Diaghilev, whose Russian ballet revolutionised dancing, classical music and design before 1914, or T.S. Eliot and the modernist movement, or the modern art exhibitions which Virginia Woolf thought to be the birth of the modern world, is to display a very limited, front-page readers' perspective of what the early-20th century was about.

Dublin is chic. The city is rotten with pop stars, its hotels stuffed with Hollywood babes and studs. The famous seem to view Ireland's capital as a rest and recreation centre, a good place to recover from the third marriage break-up or overcome the stress of nearly winning an Oscar.

This is most peculiar. Dublin is no Wiesbaden. It should come with a health warning. The city can impose considerable physical and psychological demands. Breakfast collides with lunch and flows into dinner. Brains become addled, livers pickled. Laughter turns to tears. A fog descends.

Then there is the other Dublin, the city described by Dermot Bolger and Hugo Hamilton, a place that is never mentioned in the tourist guides literature. Here is a cross between 1920s Chicago and back-street Naples. There is gangsterism and mindless violence, raping and pillaging, a city awash with drugs. If I were head of Dublin tourism I would seize all copies of these books and shred the lot.

*Headbanger* revolves

round the character of Coyne, a vigilant and valiant member of the Garda Síochána, the Irish police. Coyne is a tough Dublin cop who sees the world around him sinking into a quagmire of crime. Carmel, his wife, has artistic pretensions and can't stop lovingly laughing at her husband's absorption in criminal matters.

"Pat Coyne was the most complicated man in Ireland. He bore that slightly troubled expression of a man with an indeterminate mission. He was no messiah. He was waiting for a crisis, some apocalyptic occasion when he could really come into his own. 1916 might have been a good year for him, but he was born half a century too late, looking ahead to the next major event and resenting the complacency around him, as though all the humour and laughter in the country was denying the presence of real disaster underneath. Right from the beginning, Carmel could see that he was devoted to sorting out the world."

Hamilton engages a serious subject with a deft lightness of touch. There are

some lively descriptive passages. Coyne's arch enemy is Bert Cunningham, a thoroughly unsavoury character. "Where other crime lords needed a drink before they went out on a job, Bert Cunningham, or the Drummer as they called him, needed

**HEADBANGER**  
by Hugo Hamilton  
Secker & Warburg £9.99, 230 pages

**FATHER'S MUSIC**  
by Dermot Bolger  
Flamingo £16.99, 388 pages

some really evil piece of food, something that would set off a vicious clash of gastric fluids, leaving him with the stench of a tannery on his breath and a slight distillation at the edges of his mouth that only barely concealed the boiling bile."

We go with Coyne - part Dirty Harry part Clouseau - through the grimier parts of Dublin: its tacky nightclubs, its drug-filled tenements. There is violence but also humour as Coyne becomes more obsessed with his mission to clean up the world. Hamilton has already

shown in earlier novels such as *The Last Shot* that he is one of the most entertaining of modern Irish writers. *Headbanger* will reinforce that reputation.

Dermot Bolger is more hard-edged than Hamilton. *Father's Music* tells the story of Tracey, a 20-year-old London bed-sit girl who spends her weekends getting drunk, stoned and having one night stands and her weekdays temping in corporate typing pools.

Luke is an Irish Don Corleone who runs a London tiling company as a cover. Tracey and Luke have lots of sex. There is also plenty of violence as Luke takes Tracey back to Dublin and introduces her to his gangster family.

While Bolger tells a good yarn, the character of Luke, at one moment vicious hood, the next gentle patriarch and lover of the most esoteric forms of traditional Irish music, is a little unbelievable. Also, the plot occasionally loses itself, particularly when Tracey and Luke take off to Donegal. Tracey is searching for her father, a legendary fiddler, but it is not entirely clear whether Luke is helping Tracey in her quest, searching for a turbo to send to Tracey's grandfather - or watching out for a drugs shipment.

*Father's Music* paints a very nasty picture of Dublin and its crime kings. It's enough to send all those foreign film and pop stars scurrying back home.

Blimey - Matthew Collings has certainly let the cat out of the bag (and the shark out of the formaldehyde) with his insider's account of the contemporary London art world, or rather that tiny part which revolves around Damien Hirst, Charles Saatchi and the Turner Prize.

Anyone who felt stupid at not understanding, let alone liking, Sarah Lucas's installation of a table decorated with a kebap and two fried eggs, or Tracey Emin's embroidery containing the names of her lovers, and all the other shock-horror artifacts coming out of East End lofts, will feel much better after reading Collings' breezily written expose: the whole thing is just one big party, an opportunity for a group of Bright Young Things to show off, and perhaps unsettle the art establishment enough to provide them with travel grants.

Collings, a minor player on the scene, is the perfect guide. We soon realise that this is not art in any historical sense but a series of artifacts solely designed to give the viewer a quick thrill. If they don't, it shows a lack of imagination on the part of the spectator. Since Duchamp exhibited a urinal 80 years ago and called it art, creativity, for lazy artists, is what the artist thinks: the viewer can go hang.

Collings also knows that such art has a very short

shelf-life. The way in which he dismisses art movements and artists of the previous generation is very reassuring. He obviously thinks that Hirst, who he rightly places

**BLIMEY**  
by Matthew Collings  
21 £19.99, 212 pages

at the centre of Britain, may have peaked already.

He creates an introspective world of a score or so artists, vainly chasing each other around galleries and studios, desperate for the next drink and bit of gossip, all hoping to catch the eye of one man, Charles Saatchi. By writing in a throwaway style he conveys the immediacy, but also the lack of substance, behind the art discussed.

Occasionally he wrestles with definitions - is the art Expressionist or Conceptualist? Sometimes he admits to an illicit admiration for an actual painter, for Malcolm Morley or Francis Bacon. But he soon comes to his postmodernist senses and affirms that since 1990 it has all come down to one thing: art must be ironic. The artists stand outside society, sneering. They are good at

making pointed or obscure asides on contemporary life from their East End eyries. Any form of commitment - political, emotional, personal - is beyond them.

One of the delights of this breathless, beautifully illustrated book is that Collings ends with two powerful passages that destroy all his efforts. One shows how Saatchi dominates this puny world, the only significant buyer, sweeping up entire shows in the hope that one of the artists might have staying power. The second finds Collings in the Prado, admiring the work of Velasquez and Goya, real artists, and not daring to make comparisons, or draw conclusions.

Lucas, Emin, Gillian Wearing, the Wilson Twins - five in-your-face, young-ish female artists with no shame. Who do they remind you of? Yes, the Spice Girls. But while the Spices have delighted millions and will leave a warm memory when their 15 minutes of fame has past, the young Turkettes of the London arts scene prance around for the delight of just one man, Saatchi, and will leave little behind - not even their creations. These usually have a built-in obsolescence and, to ensure their immediate invisibility, are not designed to be enjoyed at home, but to be stored away in a museum basement. Every century gets the *fin-de-siècle* it deserves. The 20th somehow asked for an art movement which puts cynicism, satire and shock before beauty, truth and emotion.

Antony Thorncroft

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## BOOKS

# Adrift in a labyrinth of mystery

Harry Ritchie on an outsider's quest to explore the taboo subject of modern India's eunuchs

Passing by a wedding in Old Delhi, Zia Jaffrey witnessed the sudden, baffling entry of a strange group of hangers-on. They seemed to be men but were dressed in saris. They hadn't been invited but took the chance to yell obscenities, jeer at the male guests, and make an infernal racket which was allegedly some sort of musical performance. Who on earth were they?

Eunuchs, was the answer. Eunuchs who always knew when a wedding was about to happen and would turn up, make a loud nuisance of themselves and receive money in return for their supposedly bringing good luck, but really for ensuring their departure. Taken aback by the appearance of people commonly assumed to have become extinct along with the harems, Zia Jaffrey resolved to investigate the world of India's eunuchs - or "hijras", as they are known.

Any aspiring eunuch-investigator would not need long to compile a list of pressing questions - who, why, what, when, how, to name but five. However, as Jaffrey very quickly realises, finding answers to any questions about hijras is not so much difficult as almost impossible.

For a start, most people in India show no curiosity or interest in the hijras regarding them, if at all, with shocked distaste. Jaffrey, by contrast, wants to pursue her fascination because she is not straightforwardly Indian but is an American with an Indian background (she is the daughter of Saeed and Madhur Jaffrey).

But being a hit of an out-

sider also means that she finds herself in a pickle, encroaching on a taboo area, unintentionally causing offence at times, and having to rely on friends of friends as potentially useful contacts. The "experts" she unearths are themselves uncertain of the most basic facts about India's eunuch population - estimated by the experts to number somewhere between 50,000 and 1.25m.

Eventually, Jaffrey secures the services of a cou-

## THE INVISIBLES

by Zia Jaffrey

Weldon & Nicolson £15.99, 292 pages

ple of policemen who know the local eunuchs (whom the police use as sources of information because the eunuchs' network of gossip and information is very strong - hence their abrupt, uninvited appearances at weddings). But even after she has chatted with the cops, and with some eunuchs themselves, she finds that facts are still hard to come by.

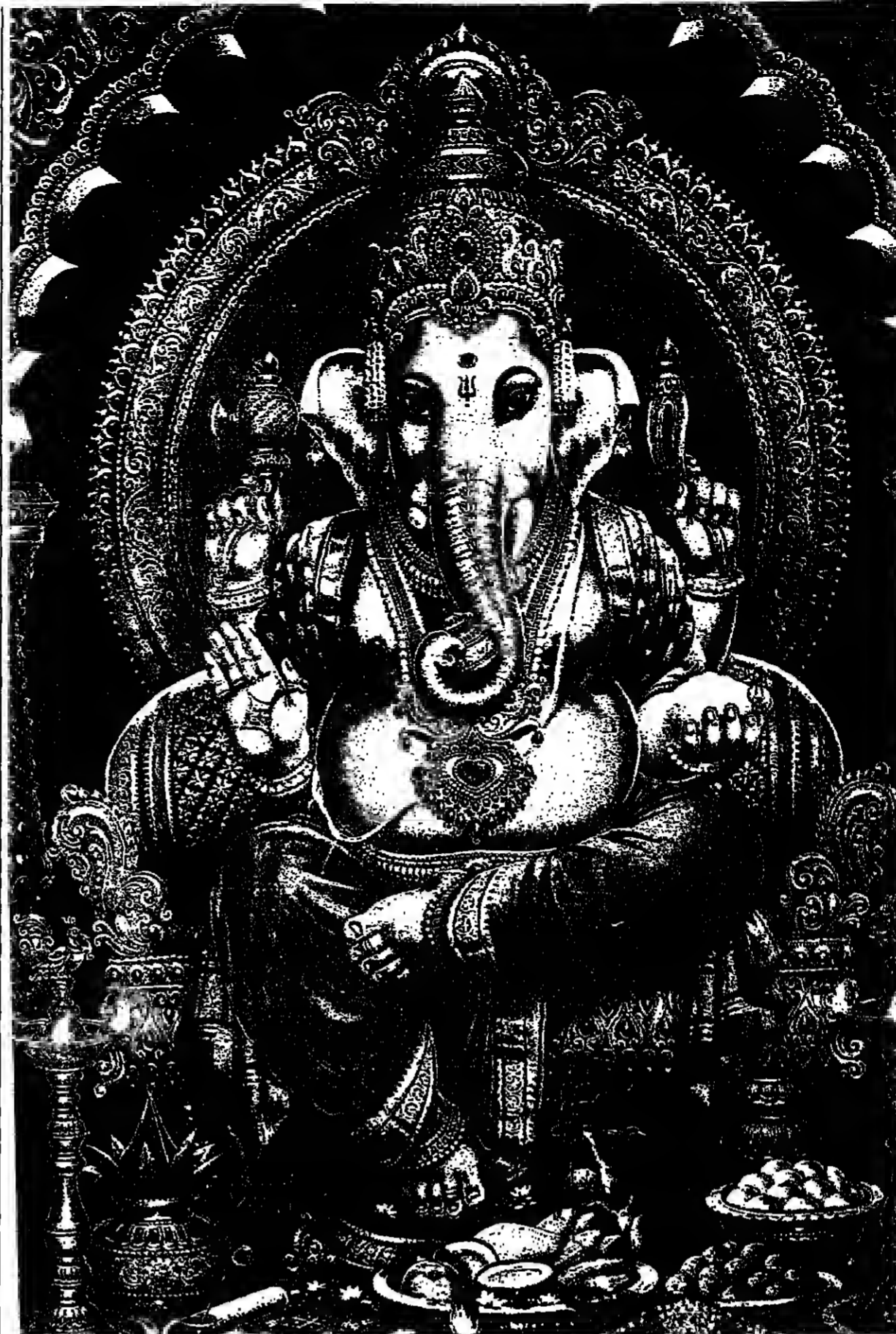
At what age are the eunuchs castrated? By whom? Do some boys want to become eunuchs or are many of them kidnapped? Are any of them prostitutes? The answers Jaffrey receives are various and variously contradictory, for the eunuchs live in a closed world and have, as it were, much to hide; the author soon finds herself wandering around a labyrinth of vagueness, evasion and mystery, which she considers typically Indian.

May be so. But my own mundane western mind hankered after a stop to all the

fritting around and would have welcomed a few specifics. Instead, the book has left me with the knowledge that Indian eunuchs are to be found only in the major cities, that the British administrators of India were appalled at the existence of eunuchs and castrated prostitutes, and that eunuchs often held great power within the courts of the Moghul rulers.

The book has also left me with a clutch of images of castration techniques, which I won't describe - not to spare your feelings but to save myself the discomfort of typing with my legs crossed and with one hand in my mouth. I will, however, provide a brief description of the eunuchs' urinary technique - simply apply rolled gauze to the afflicted area and replace daily.

Although Jaffrey does all the research and conducts all the interviews she can, she catches no more than a glimpse of India's invisibles. Fair enough, I sympathise with her plight - but not with her attempt to concoct a book out of her quest. In truth, all the material she amassed could easily have been summarised in one long newspaper article, so the rest of the book has to consist of the story of her trying to find things out from informants who contradict each other. And so on and on and on. Accordingly, *The Invisibles* is a bit of a trial to read even when it isn't detailing castration techniques. Advertised as part travelogue, part historical account, part cultural investigation, this book is actually something of a muddle. And, unhappily, though appropriately enough, it lacks balls.



Ganesha, the elephant-headed, broken-tusked Hindu god of wisdom, is associated with prosperity and his blessing is sought at the inauguration of a new enterprise. In this devotional image he is painted characteristically laden with the ornaments of a major deity: one of many illustrations and photographs from 'Traditional Jewels of India' by Oppl Untracht (Thames and Hudson £55, 431 pages)

## Rereadings

# Values of the jungle

Getting around Africa as a European is no longer what it was in the late-19th century. Joseph Conrad's own *Congo Diary* is published along with *Heart of Darkness* in the Penguin version I chose from the many paperback reprints. An illuminating extract is dated Saturday July 5 1890: "Today fell into a muddy puddle. Beastly. The fault of the man that carried me. After camping went to a small stream, bathed, and washed clothes. Getting jolly well sick of this fun." Hammock bearers are now harder to find.

Conrad has given *Heart of Darkness* a much wider readership than its seafaring author could ever reasonably have expected. Undergraduates in the late-1970s argued vehemently over the aptness of casting Marlon Brando as the book's sinister central character Kurtz in Coppola's *Apocalypse Now*, a war movie reworking of Conrad's book filmed in Cambodia.

So what exactly happens in *Heart of Darkness*? Marlow, of high ideals and great intellectual gifts joins the late-Victorian scramble for Africa. Enters the Congo. Jungle and its natives awaken atavistic desires in him, he becomes their leader, officiates at unspeakable ceremonies in "the utter solitude without a policeman". Goes mad, is carried off by tropical fever. That is the plot of the book in a nutshell.

But part of the wonder of this classic is that it is proof against pretexts. There are no other words to the same effect as the 40,000 words of *Heart of Darkness*. Conrad's technique is impressionistic. As his narrator Marlow points out, "the meaning... [is] not inside like a kernel but outside, enveloping the tale which brought it out as a glow brings out a haze." Meaning is communicated by atmosphere.

Rereading the novella after nearly 20 years, I was struck equally by Conrad's deep cynicism about civilising ventures and by his compassion. The sufferings of the Congo's



natives are sharply drawn - the chain-gang miners whose condition recalls the slave trade, the starving cannibal crew enlisted to protect the steamer for the trip upriver to find Kurtz, even the spear-throwing tribespeople terrified by the steamship's whistle.

At the risk of sounding like an Oxford copywriter, I would say that Conrad feels the sadness of a continent: the missed cultural opportunities as a result of the colonial interlude; the bewilderment, the suffering. *Heart of Darkness* is the work of a man who had compassion for those long before it became fashionable. Conrad's estimate of London is also deeply cynical. *Heart of Darkness* is a book by a man who hates London. This hatred is carefully concealed. Marlowe lulls his listeners - a company director, a lawyer, and an accountant, together a microcosm of the city - into a bogus sense of security early in his tale as they hear him out at dusk on a boat moored in the Thames estuary. Night falls as he tells of his encounter with the depraved former idealist Kurtz in the black heart of the Congo.

But by the dying seconds of the novella the attentive reader associates the heart of London itself with the place Marlowe has been describing. The burden of Conrad's tale is that true civilisation requires much more than bridges, companies, and widely available cash.

Martin Mulligan

# Divided they stand

Edward Mortimer on why the Turks try to keep the ethnic genie bottled up

By far the worst thing about this book is its title. It sounds like one of those classics of Victorian pornography, which purported to initiate the reader into the titillating secrets of some "mysterious east".

Luckily the book itself is not at all like that. The authors, both experienced journalists long resident in Turkey, do not dwell on the country's exotic or outlandish features. On the contrary, they perform an admirable service in presenting the Turks as normal and likeable human beings, with whom western readers should not find it difficult to empathise.

This is in fact precisely the good, readable introduction to Turkish politics which has been cruelly lacking for at least a generation - a generation during which the country has opened up to the outside world and has discovered a new pluralism and dynamism. The authors would not claim to rival the scholarship of Professor Bernard Lewis, but their work comes nearer to replacing or updating his *Emergence of*

*Modern Turkey* (1961) than anything that has appeared in English since.

They do not pull their punches in describing the unpleasant aspects of recent Turkish history, of which the worst, needless to say, is the gratuitous savagery visited on the south-east of the country and on almost anyone who has tried to articulate the feeling of Kurdish identity - a policy which unfortunately seems to be self-perpetuating and self-justifying since it drives a steady stream of recruits into the ranks of the ruthless Kurdistan Workers' Party (PKK).

But even here the Popes manage to give the reader a sense of the insecurity that lies behind this tragically ill-judged reaction. "The general staff," they write, "have been scared by the collapse

of 20th-century political orders nearby, including the Iranian monarchy, the Soviet Union and the Yugoslav federation. They feel strongly that Atatürk's state faces the same threat. Negotiating with

## TURKEY UNVEILED: ATATÜRK AND AFTER

by Nicole and Hugh Pope

John Murray £25, 373 pages

ethnic Kurdish rebels is out of the question, they say, pointing at the break-up of their socialist neighbours once the ethnic genie was out of the bottle.

Of course the reference to "unveiling", coupled with the name of Atatürk in the subtitle, involves a deliberate *double entendre*, but a perverse one in the

light of recent developments to which the book devotes ample space. Mustafa Kemal Atatürk, the republic's founder, did actively discourage the veil and even banned women from covering their heads in public buildings. But now veils and headscarves have blossomed on urban and even middle-class women, whose mothers would not have dreamed of wearing them 10 or 20 years ago. "Turkey re-veiled" might almost have been a more appropriate title.

Those headscarves are the most visible aspect of a public reassertion of Turkey's Islamic identity which has been one of the most striking, and most contentious, features of the last few decades, and has now moved to the very centre of Turkish politics.

The Popes finished their book

soon after Necmettin Erbakan, leader of the neo-Islamist Welfare Party, took office last year at the head of a coalition government. Like many other foreign well-wishers, they hoped that this event heralded a "Turkish-Islamic synthesis" which would enable Turks to escape from a dangerous polarisation between secularists and Islamists.

Alas, it had if anything the opposite effect. Although Erbakan, knowing he was in office rather than in power, avoided any direct challenge to secularism, the mere fact that his government did not fall apart in its first few months was enough to cause panic in the establishment, prompting the armed forces to intervene overtly in the political process, egged on by many intellectuals and politicians who

sincerely think of themselves as democrats.

Now the government has fallen, while the forms of parliamentary democracy have been preserved. Much of the Turkish elite has breathed a huge sigh of relief, but this may well be premature. While it is true that Erbakan's government must have been a disappointment to his supporters, he has managed to avoid responsibility for any unpleasant economic decisions and can argue that others prevented him from carrying out his programme. And whatever his own feelings on the matter, many of his supporters are bound to conclude that democracy, at least in its present form, has nothing to offer them.

So the book ends on a slightly more hopeful note than its authors would probably have struck if they were finishing it now. It is none the less very timely, in that it makes these worrying developments much more intelligible, and gives one a sharper insight into the hopes and fears of Turks on both sides of the argument.

He has a capacity for strong emotion, a talent for observation and a knack with metaphor: he likens the English summer's sudden appearance to the intrusion of a bikini-clad blonde into a Pall Mall club; he describes memory as a dustbin which "the amnesiac dustman, the brain, chronically forgets to empty." And he can write a beautiful description when he wants to.

Vitaliev's snapshots of the old Soviet Union are more compelling than his jocular pictures of the west. The characteristically bleak Soviet countenance he calls "the seal of oppression". The regime in which "reading was almost as creative as writing," undermined itself, he suggests, by circulating cheap copies of literary classics. His own failure to become an elite "shock worker" he jokingly attributes to the fact that he was "in a state of continuous shock caused by the Soviet reality."

But Vitaliev's currency as a commentator on the bad old days is probably exhausted by now; nor can he for ever play the wide-eyed shopper in the Freedom Mart. Having become a westerner - better still, a Londoner - he needs a niche of his own making. Given a sharp English pen, and a deep Russian soul, why not a big novel next?

Christian Tyler

# Tortured with feather dusters

In the 1970s, a small but noisy campaign was organised in Britain under the slogan "wages for housework". Its aim was to have housework recognised as a form of manual labour which deserved remuneration like any other job. The uneasiness and outright derision prompted by the campaign were instructive, in that they revealed just how little serious thought had been given to work in the home.

Soma critics claimed that housework wasn't a real job at all but a minor chore whose requirements had been exaggerated by bored, discontented women who used it as a way of filling their time. Although this view was most popular with sceptical men, it also had resonance with feminists like Barbara Ehrenreich: "Housework-as-we-know-it was invented around the turn of the century for the precise purpose of giving middle-class women something to do," she wrote in an essay on the subject.

Others argued that if cleaning, polishing and dusting constituted "work" as we normally understand the word, it was perfectly legitimate to get round the problem by employing someone else to do it. Yet few people seriously believed we would ever reach a point at which the state would intervene and pay wages to women who slaved at home and had

no job apart from mopping floors and hanging out the washing.

Central to the unanswered question about whether housework counts as "real" work is its link to women's role in the home. In that sense, any history of housework is inevitably a history of women since they are the ones who accept responsibility for the smooth running of the home, and take the decision whether or not to employ a cleaner.

## BITING THE DUST: THE JOYS OF HOUSEWORK

by Margaret Horsfield

Fourth Estate £14.99, 292 pages

Margaret Horsfield's book *Biting the Dust* is a welcome attempt to make some sense of a difficult and neglected subject. She is aware of its complexity, opening her first chapter with an anecdote about how difficult it is to persuade women even to discuss their attitudes to housework.

Horsfield persevered however, and her research charts the gradual shift from housework as a job carried

out by servants in grand establishments to something done in suburban households by women with an array of labour-saving gadgets - vacuum cleaners, floor polishers, dishwashers and so on. "A job you can do in your evening gown!" proclaims an advertisement, probably from the 1930s, in which a beaming woman in a slinky dress chuckles a substance into the toilet bowl.

What the changing advertising images reveal is housework's rising and falling status, depending on who is perceived as doing it, from this smart suburban hostess to the smiling mum in 1960s advertisements for floor cleaners.

Many of Horsfield's arguments, such as her recognition of the link between cleanliness and godliness and the special burden it placed on women, are convincing if rather obvious. Where the book disappoints is in its chirpy tone, more suited to magazine journalism than a full-length book, and its avoidance of deeper questions.

Her chapter on housework and men, cheerily entitled "Looking for Mr Clean", admits that "men do clean,

sometimes well. But for many women, myself included, the problem is that they do not clean in the way we do, not as often." She then becomes anecdotal rather than tackling the fascinating question of why men and women appear to have different standards of cleanliness in the home. Is it social conditioning which leads them to believe, at an early stage in their development, that cleaning is women's work?

An equally interesting possibility, not canvassed in Horsfield's book in any detail, is that men have a different relation to their surroundings: that their boundaries are drawn around the physical self while a woman's identity somehow - and assume responsibility for - the space around her.

If this is the case, the attitude could just as well be an acquired response as anything biological, and has implications for how we bring up children. This is not the kind of question that interests Horsfield, whose own ambivalence is reflected in her book's sub-title. "Joy" and "Housework" are not an obvious conjunction: anyone who willingly connects them deserves a place in Barbara Ehrenreich's feminist bell, "tortured eternally with feather dusters".

Joan Smith

# Russian soul with a sharp pen

with the temptations of vodka, the mail-order catalogue and the credit card for company, he fell on hard times - so hard that he was reduced to buying *The Times* of a morning. He went into debt, thought of suicide and was saved by the woman he calls

## DREAMS ON HITLER'S COUCH

by Vitali Vitaliev

Richard Cohen Books £12.99, 277 pages

"Cricket". She threw away his baggy Russian suit.

Vitaliev is a very lively writer, but his book is as confused as the life it describes. There is a lot of repetition (for which the editors must take the blame) and too much elaboration (the relevance of Hitler's putative couch, which Vitaliev finds in a Tasmanian boarding house, is obscure).

But as the author staggers down the primrose path, boastfulness giving way to the mournfulness, one cannot help warming to him.

Living in a free society is a messy business. Vitali Vitaliev, a Moscow journalist who left the moribund Soviet Union in 1990, should know. By his own account, he made a pretty good mess of it.

In his latest book, behind a hodge-podge of anecdote and tautology philosophy, Vitaliev is trying to understand what liberty means, to tot up its cost to the uninitiated. With candour, humour and a dash of self-pity, he describes how close he came to failing the freedom test.

Vitaliev arrived with marketable assets. Not only was he a recent Russian refugee (actually a Ukrainian born in Kharkov), but he had a tremendous grasp of vernacular English. A witty, bombastic writer on *Krokodil* magazine, whose father was a nuclear physicist and mother a chemical engineer, he was befriended by the Guardian newspaper, by Clive James and Peter Ustinov, fêted by television, and turned into a celebrity. Jobs and money poured in.

Then he made what he calls the biggest mistake of his life. He settled with his wife and son in Australia. The world's largest island gave him acute claustrophobia and he came to hate the "ruinous" egalitarianism of that country. He returned to London; his wife and son stayed behind. Left alone

ARTS



Commanding a much more visible presence: Charles Saumarez Smith, director of the National Portrait Gallery, with some of the more contemporary faces which are pulling in the crowds

# Portraits which speak for themselves

Antony Thorncroft reports on some exciting new developments in Trafalgar Square

In the 1960s, when Roy Strong told people that he worked at the National Portrait Gallery the common reaction was, "Oh, that awful morgue". Later, as director, Sir Roy was able to breathe some life into the mausoleum, mainly by widening the gallery's collection to embrace contemporary worthies, and by organising ground-breaking photography exhibitions, most notably by his friend Cecil Beaton.

But the location of the NPG, wrapped round the rear of the National Gallery in Trafalgar Square, has hardly helped it become the power house of London's cultural life, and its current director Charles Saumarez Smith is admirably direct when he describes its current status as "just below the parapet".

However there are signs that it is starting to clamber on to the roof, commanding a much more visible presence. Saumarez Smith took over in January 1994, just

after the completion of a major NPG development, which gave it a separate administrative block and new 20th-century galleries on its ground floor.

The appeal of these contemporary portraits ensured that in its first year the NPG doubled its visitor numbers, to 1.1m. They have fallen slightly, to 809,000 in 1996, but now a double burst of activity is underway, one offering immediate benefits, one longer-term, which should enable the NPG to make an even greater impact on the public.

Visitors to the gallery can now borrow an audio guide which gives them an incisive commentary on the subjects of around 500 of the portraits in the NPG, a quarter of the stock on show. The NPG is following the Tate and the National Gallery in introducing audio guides, but it feels it has improved on their versions.

It has one natural advantage: wherever possible, the portrait can be heard speaking. It adds

greatly to the impact of Florence Nightingale to listen to her greet her old Crimean veterans in an imperious, deeply regal voice. Gladstone, too, can be heard, congratulating Edison on his invention of the telephone.

Some of the voices are a surprise - Virginia Woolf has a dull delivery; H.G. Wells is high pitched; Maynard Keynes over-refined. Some of the recordings offer historical insights, such as Baden Powell explaining the meaning of the wolf cub mantra, "dyb, dyb, dyb". Earlier personalities are brought to life by readings from their letters and diaries. Modern subjects, like Alan Bennett, Germaine Greer, and Bobby Charlton, describe how they felt while being painted.

The 100 sets available are free to users (the NPG is opposed to admission charges), but a donation is expected: this should cover

much of the running costs. The installation was largely financed by the newly instituted corporate membership scheme, which is already contributing £170,000 a year to the gallery's funds.

The other, more momentous development is the deal with the National Gallery, under which the NPG gives its bigger neighbour its under-used east wing in return for the courtyard at the rear of the two institutions.

Into this space a new gallery will be inserted. This will enable the NPG to offer a more welcoming aspect, with its front hall opened out to encourage visitors, by way of an escalator, up to a new Tudor gallery. At the moment only a quarter of visitors make it up to the great Tudor and Stuart portraits on the upper floor.

The £15.9m development also finds space for a lecture theatre in the basement and a café on the roof. It is all made possible by a £11.9m contribution from the heri-

tage lottery fund. The remaining £4m has been quickly found and work starts in the autumn for completion in the spring of 2000.

With the London gallery sorted out for the immediate future, Saumarez Smith can look at the NPG's out-stations. It manages to display another 2,000 objects from its 7,000 strong collection in country houses, at Montacute, Benington, and Bodleywyddan Castle, and is now contemplating finding a fourth, urban satellite to take some of its over-flow of 20th-century portraits. If negotiations with a local authority are successful, the new site could act as a focus for a weak area in the NPG's portfolio - the famous captured on film and video.

Of course all such developments depend on money, and like all major museums the NPG has suffered a squeeze in its grant, losing around £200,000 a year. Corporate friends have made good most of the damage, and Saumarez Smith is now planning to launch an indi-

vidual Friends organisation for the NPG.

The success of the National Portrait Gallery lies in the face of contemporary artistic fashion. The portrait raises little interest at the cutting edge; yet the annual BP Portrait Award is always the NPG's most popular exhibition, attracting 147,000 visitors this June, a rise of 30,000. Art lovers are voting with their feet.

Saumarez Smith is also well placed to build on Roy Strong's legacy of scholarship plus popular culture. Last year a specialist show, *The Art of the Picture Frame*, ran alongside the Bohemian photographs of John Deakin. In the autumn Raeburn will be in the upper galleries, while Bruce Webster, photographer of muscular young men, will be on the ground floor. Despite, or perhaps because, portraiture goes back two millennia, it retains a strong hold over the public imagination, a hold that throws an ink pot at artistic correctness.

The sooner the various races of homo sapiens inter-breed to produce a single global population with uniform khaki skin, the better. Until that happens it seems that the same sort of snarling exchange will continue to occur in places as far apart as Telford and Tajikistan, Nanterre and Nan-tucket.

"Why don't you go back where you came from?"

"You mean Brixton/Tashkent/Lille/Chicago?"

The point - and it emerges vividly from the three-part series *Planet Islam* which starts on BBC2 tomorrow evening - is that all over the world immigrants are challenged and insulted when their appearance sets them apart from the host population. Told to go back where they came from, they prove, as often as not, to be second generation immigrants who were born just up the road.

You might assume on seeing the title *Planet Islam* that this is a series devoted to the worldwide growth of Moslem fundamentalism, the consequent threat to western liberal values exemplified by the fatwa against Salman Rushdie, the threat to Christianity, and the rapid emergence of Islam as a substitute for "The Evil Empire", a target for the fear and loathing of western xenophobes.

All that might make an interesting series (though television has already covered such matters in a piecemeal way) but it is not really the subject of these programmes. Instead what we are shown is the way in which black or brown communities in France, Russia and the US all find a multiplicity of benefits in Islam. Amid a sea of hostility it provides a sense of community and tradition; bolsters self esteem; creates a feeling of brotherhood; focuses attention onto a shared purpose; acts as a receptacle for and expression of anger; and enables the believer to feel that there are ways in which he is superior to the original population.

Tomorrow's programme is concerned entirely with France, which now has a Moslem population of five million, and a rapidly

## Television Lifting the veil on Moslem settlers

expanding National Front party. This appears to gain much of its popularity with white French voters from its willingness to go into areas such as the Picasso Estate in Nanterre, inhabited by a high proportion of Moslems, and say "Our ways of life are different. We cannot live together. Go home!" When it comes to the wearing of the veil (headscarves actually) Moslem schoolgirls' teachers argue that the French fought a revolution in the name of equality and the veil symbolises the subjugation of women.

The programme makes clear the doubtful nature of the arguments on both sides, and the multiplicity of sub-texts. Do these girls wear their scarves solely out of profound religious conviction, or is there an element of provocation, closely akin to the wearing of colours by adolescent gangs in Chicago? Do the teachers oppose them because they really believe in women's freedom or because they privately sympathise with the National Front and want to rid their schools of immigrants? There is good use of flashback to newsreels from the time of the Algerian war to remind us of France's imperial past, which is largely responsible for today's situation.

Next week, the series moves to Russia for a programme which puts the whole of the communist experiment into deep perspective. The re-emergence of Islam as a religious, social and political force in the steppes of central Asia makes you realise the relative insignificance of the experiment in Marxist-Leninism between 1917 and the fall of the Berlin wall,

when measured against the truly great movements of history. Having visited the Kremlin and been lectured on the multifarious symbols on its buildings, it is a little shaming to have to wait for this programme to understand the (simple and obvious you may think) meaning of the Russian orthodox cross above the crescent of Islam on all those onion domes.

The programme does a good job in showing how the context for beliefs and minds thus symbolised is now being fought all over again in Tajikistan with tanks and helicopters, and even closer to Moscow with building permits and rules about public holidays.

The third and final programme, set in the US, is the least striking and the least persuasive because the story it has to tell is the most complicated and the least like the others. In France and Russia the attractions of Islam seem to have much to do with the repressive and aggressive nature of the white host community. In the US the story has more to do with factions within the black community.

First there is the use of Moslem teaching by fundamentalists who oppose the exploitation of black by black and what they see as a tendency towards black self-destruction. Then there is the major complication presented by Louis Farrakhan, leader of the so-called Nation of Islam, whose teaching and rabble rousing have inflamed the white community and been disowned by Moslem traditionalists.

Dealing with this sort of subject without being simplistic, sensational, or getting the emphasis wrong is among the most difficult jobs in television. It is not mere chance that this excellent series has been made for the BBC by Barracough Carey, one of the best independent television companies in Britain, or that the series producer is Phil Rees. He has specialised for years in making programmes on this subject, including the outstanding documentary *Algeria's Hidden War*.

Christopher Dunkley

## Radio/Martin Hoyle

# Rag-bag concepts in catch-all categories

The kindly correspondents who ask how Jimmy Boyle, sentenced to life in Brixton in 1973 but since rehabilitated as artist and media communicator, is faring as controller of Radio 4 will be surprised as I find that, even allowing for the original Caledonian concept of Jekyll and Hyde, we are dealing with two Jimmy Boyles. One is making amends for terrible anti-social deeds with a plausible commitment to the chattering classes, while the other... Ah, I see the confusion.

The BBC executive who announced Radio 4's changes at Wednesday's press gathering was no less Scots. James Boyle's spectacles shone with a 17th-century zeal as he declared "I have a covenant with my audience", apparently forgetful of the century of strife ushered in by the last Scottish covenant. Juggled schedules was the burden of his lay. Of the dozen or so programmes abolished (not the rumoured 30) some were already shabby (*Afternoon Shift*, *Week Ending*), others (*Does He Take Sugar?*, *Kaleidoscope*) will have their subject-matter incorporated into bigger, heterogeneous formats.

Boyle passionately rejected the accusation of "dumbing down", though whether Melvyn Bragg's *Start the Week*, reduced to Melvyn chatting to one, or at the most two, guests, will avoid the achingly familiar celeb interview format remains to be seen. This is rare intellectual discussion surely worth keeping. Equally inexplicable is the disappearance of *Medium Wave* with its flexible range, from privacy laws to media parliamentary coverage to tabloid intrusiveness; likewise *Call Ed Stourton*, a talking shop on topical issues that matter.

And what of the serendipity that attends the discovery of small, out-of-the-way treasures? *Poetry Please!* will be subsumed into a "literature hour", one of those varied rag-bag concepts in which, inevitably, attention wanders. Last Sunday the original was as Celtic-flavoured as the rest of the week, with a haunting tribute to the Orkney-based poet George Mackay Brown. A reminder of poetry best described simply as beautiful; and an enquiry into the nature of belonging and identity, dependent on place, religion and tradition.

Excellent chef and foodie Ainslie Harriott's *Ready, Steady Glasgow* conjured up more of Scotland than Saturday's *Ceilidhs*, *Cadillacs and Carnegie*. Radio 2's look at the Scots contribution to America. Andrew Neil is no interviewer. His unoriginal, repetitive and predictable plod through Scots-American experts made for mind-numbingly dull radio which I eventually switched off. Substitute "Irish" for Scottish and you would be told the same thing. The Scots were responsible for everything American, it seems, from "Ob Sussama" to the American constitution, though the links between the pursuit of happiness and the pursuit of happiness are not immediately apparent.

Back on R4, the guided Scots emphasis on education and self-improvement is marked by the imminent return of *Round Britain Quiz* and, in the longer term, a permanent slot entitled "Quiz (challenging/ cerebral)". Comedy, including the dread "satire", will still infuriate parents of young children, prompting arrogant put-downs by producers, at 5.30 pm.

The days of full-length plays are over. The catch-all category of "drama" (including the wildly erratic so-called "classic serial") is allocated nothing longer than an hour. So much for real classics. As a sop, the return of *This Sceptred Isle*, taking our island story up to 1999, will be a genuinely popular move.

The real fear is not so much programmes disappearing as that quality will suffer in those that remain. The slapdash slovenliness of the *Today* / *PM* axis referred to last week, for instance, shows no sign of diminishing. On Wednesday *PM* identified my colleague Ray Snoddy, the FT's distinguished media correspondent, as the paper's radio critic. He was doubtless as surprised, though surely not as flattered by the confusion, as I. The inability to know who you are interviewing promises lots of wacky fun for the future.

But then *PM* had more important things to bother about that day, notably a berserk little item on the party at 10, Downing Street. This gathering of pop singers, soap stars and TV cooks prompted some vintage whooping gush: from *The Independent*, of which we expected better ("Tony would give a party for the whole country if he could"), and a near-bysterical woman from *The Tatler* who found it all, too thrilling that Number Ten had finished with "fat sweaty trades unionists", adding with the logic of her kind that *anything* was more interesting than the Tories.

Our natty-suited spivocracy by middle management has found its own bland, flavourless, colourless cultural level. What is disturbing is the BBC's apparent enthusiasm for it. Don't send in the clowns, Jimmy. They're already here.

## Theatre Men of mode

Matthew War-chus's production of Yasmina Réza's play "Art" is one of the triumphs of the West End, where it has been running at Wyndhams Theatre since October, and the new cast of three men - the third - is the best so far. The play does not pall on re-seeing; far from it.

Nonetheless, "Art" has been widely misunderstood. It is not really about art. And it is a comedy only in the way that Molière's *The Misanthrope*, that heart-breaker, is a comedy. It is, in fact, much more like Molière than most English stagings of Molière; I love the tension between the raging civil warfare of its characters and the classical polish with which they speak. But the play is full of ambivalence. Often, you cannot laugh with the majority of the audience because what has just been said is too painful, and amid an apparently serious scene, you find yourself laughing alone. The different times that the audience laughs are the surest signs of this play's multi-level grip.

"Art" is about men, apparently civilised men, and about their values, and the power-struggle between them. Serge buys a white-on-white painting for £200,000, nearly bankrupting himself to do so. Is his admiration for it sincere? Or is he just trying to be modish? His friend Marc not only finds the painting bogus, he also finds Serge's admiration bogus. But then Marc doesn't believe "in the values of modern art - the value of novelty, of surprise"; and he also feels Serge's divergence from him on this painting indicates a larger divergence from his influence - feels that his own power has been diminished.

One irony is that, although it sounds absurd when Serge claims that the painting is not actually white, it is so lit that we can see the other colours he claims are there. Another irony is that, although Marc's statements on this painting and all art are hostile, old-fashioned and dictatorial - he assumes that art must be touching, and that it must represent something - they sound sincere as Serge's seldom do. Serge is intelligent, up-to-date, quixotic; but he is also obsessed by fashionable theory.

Between these two is Yvan, who is common-sensible, conciliatory, feckless, and helpless. He is concerned with such merely ordinary matters as the preparations for his wedding, the fact that his friends have badly injured his ear when he tried to stop them fighting, and his conviction that a friendship should not break down just because people display different beliefs. Needless to say, the other two bully him more than they do each other. Appalling things are said, and all three sides of this triangle of friends reach the point of breakdown.

The new cast - Henry Goodman as Marc, Roger Allam as Serge, Stanley Townsend as Yvan - catch yet better than their predecessors the classical formalism of the dialogue. Townsend is a superb Yvan; he brings a force to the comic pathos of the role that is marvellous. Allam's suave, urbane relaxation brings out the ambiguities in Serge; he really may be the pouter that Marc finds him to be. And the chilly control of Henry Goodman's acting is perfect for Marc, we see the anxiety behind it, the need for reassurance, the impressive sincerity, and the dangerous charm. The interaction between the three could not be bettered. The pacing is virtuosic, and a great tribute to War-chus's direction. Just to watch the three eat olives without a word - in context, a classic scene - is a great treat.

Alastair Macaulay

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# How to Spend It



Fashion

## When vogue means danger

MaxMara's customers are chic; they have a balanced rather than slavish attitude, says Karen Wheeler

It is one of the anomalies of fashion that in August, just when we want to buy swimsuits and sarongs and floaty summer dresses, the shops fill up with winter suiting and heavy coats. What kind of woman, you might ask, thinks of buying a thick knitted sweater when it is baking hot outside?

The answer is that there is a growing breed of shoppers who realise that it is the early bird who catches the "buzz" items.

More and more of the fashion-conscious set now buy almost directly from the catwalk - they spot the key outfit, shoes or bag at the shows or in the press reports and add their names to a waiting list as much as six months in advance. Which is why this week, in the midst of the summer season, we are showing you some of the key looks for the next.

If you weren't sufficiently prescient to put your name down months before platform shoes and cashmere sweaters from Prada, G-buckle belts, "G" logo thong sandals, velvet hipsters and white jersey dresses at Gucci hit the shops, you would have had to do without.

This season there is a waiting list for Prada's crocodile Gladstone bags, high-heeled pointed toe shoes and chiffon dresses with crystal-edged hems, while at Gucci you can join the queue for stretch wool micro-minis and chrome-heeled stilettos.

You may find this hard to credit but certain Prada winter styles - including a double-breasted cashmere coat - have already sold out.

There are sound reasons for planning your autumn wardrobe early. Many busy working women, for example, like to get their clothes shopping done in one big hit and then not have to worry about their wardrobe for another six months.

There is also the argument that if you buy an item early in the season, you get maximum wear and pleasure from it. "Quite often our customers go away in August and they buy autumn

clothes before they go," said Joy Weintraub of Wardrobe. "That way, they have one or two suits to come back to and they have had the pick of the new season."

For the woman who is going to invest in a new wardrobe early, it helps to know what the trends are.

Nobody translates a mood better than MaxMara - the Italian label that has built up a £1bn global turnover (the British alone spent £27m [\$61.8m] on MaxMara clothes last year) by distilling the key fashion trends into a wearable look.

For the woman who has a balanced, rather than slavish, attitude to fashion, and who wants clothes which will work in a traditional, corporate environment, MaxMara has long been the solution. "For us, to be considered fashionable would be very dangerous," said Luigi Maramotti, managing director of MaxMara, a quietly cultured man with a passion for modern art. "It is not chic for a woman to move violently from one way of dressing to another."

He does not like "showy things" - a philosophy that is evident in the clothes. But nevertheless all the season's main colours, fabrics and looks can be seen in the new collection - though subtly interpreted. Thus, the season's unfeasibly short, side-split skirt becomes a more wearable knee-length version at MaxMara.

The task of blending trends into wearer-friendly clothes has been surprisingly easy this autumn. The cheering news is that - with the exception of a punky, Gothic look - the latest trends seem to have been devised with the professional working woman in mind.

Suits, suits and more suits are the mainstay of the sea-



Left: double-breasted charcoal pinstripe suit in wool/cashmere/Lycra mix, £420. Right: flecked trouser suit in wool mix, £400

son. After the recent raft of nightie-style chiffon dresses, the return to tailoring and even - dare we say it, shoulder pads - is very welcome. Better still, these strict little suits come in the most traditional fabrics - grey flannel, black wool gabardine, tweed and herringbone.

The masculine trouser suit is still an important wardrobe item. MaxMara has

possible to emphasise the shoulder without it being anything like the 1980s," said Maramotti. "We have used slightly rounded shoulder pads which give more presence to the body without building up the shoulder too much."

MaxMara has also paid a great deal of attention to the weight of fabrics: several of the suits featured on this page are wearable even in summer because they are made from very fine, lightweight wools, with added Lycra. Pure cashmere and camel fabrics have also been treated in a more casual, throw-on way - used without linings for less formal suits and coats.

Evening wear is going to be very feminine with flourishes of sequins and applique. The more romantic side of MaxMara is evident in a long, muted purple chiffon dress, shimmery strapless styles and - perhaps most typical of MaxMara's understated look - a satin wrap décolleté frock, shown on the catwalk insouciantly worn under a mannish grey, tailored city coat.

So how does a label with a classic image like MaxMara consistently manage to interpret trends in a stylish way? It's a team effort - a combination of an in-house team and outside designers - which results in design by consensus rather than any single individual's egocentric whim. The company likes to keep names under wraps, but Karl Lagerfeld and Dolce & Gabbana are among those who have quietly contributed to MaxMara in recent years - together with students from top design colleges in the UK.

"We work in the universe of the neutral," said Maramotti, before relating how

delighted he was when a Parisian retailer thought MaxMara was a French label. "The idea of not being classified is the answer to the way we work."

Maramotti's belief that "you have to be humble in fashion" stands in stark contrast to the arrogance of many designers, who attempt to foist deeply unflattering looks on women. "It is the customer who is the master of her own wardrobe - she can use accessories or shoes to update our clothes," he said.

This autumn the key accessories will be knee-high boots, clutch bags and lethal-looking stilettos. But it goes without saying that MaxMara's high heels are less vertiginous and look infinitely more wearable than everybody else's.

- From left to right:
- Orange chunky cable knit sweater in wool/angora mix, £198, and long tube skirt in pure wool, £38
  - Grey satin wrap dress with décolleté in pure silk, £373, with mannish, grey city-tailored coat, £475, in pure wool/angora mix
  - Long charcoal skirt suit with short, single-breasted jacket with neat high collar in wool/Lycra mix, £445
  - Full-length wrap camel coat in pure cashmere, £1,495, loose V-neck sweater in wool/cashmere mix, £110, knee-length camel skirt in pure wool, £38
  - Full-length charcoal grey swing coat with one-button collar in cashmere and Lycra mix, £1,402
  - Long grey rib-knit V-neck dress in wool/angora, £148

All clothes and accessories by MaxMara, 32 Sloane Street, London W1 (tel: 0171-235 7941); or 153 New Bond Street, London W1 (tel: 0171-491 4748)

Photography: Steven Meisel

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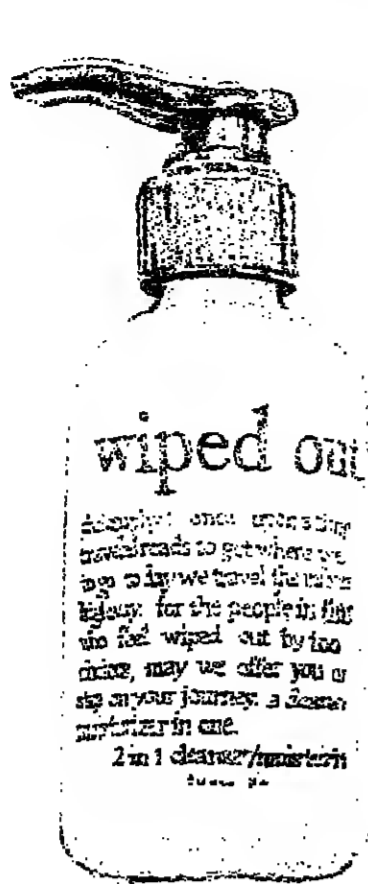
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## HOW TO SPEND IT



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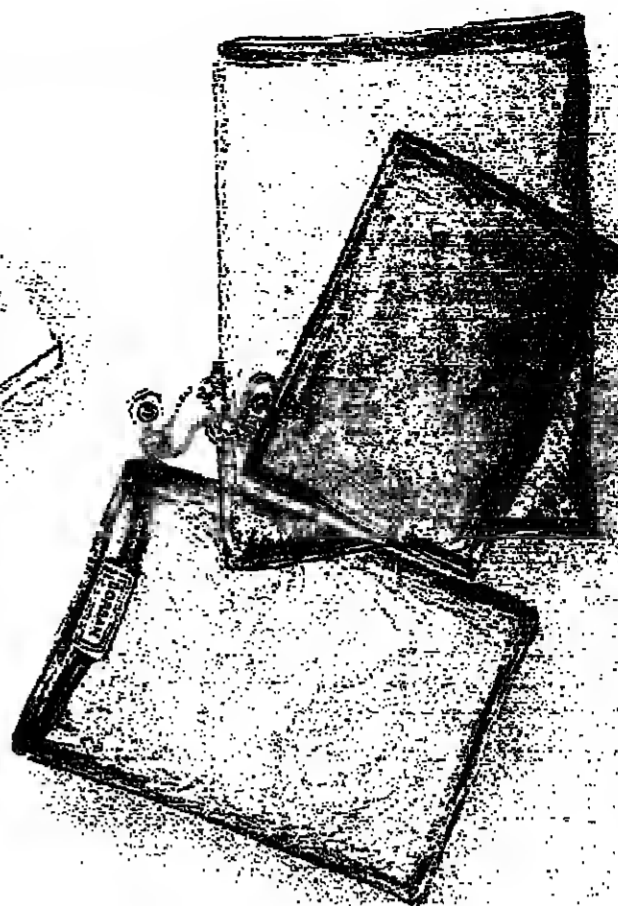
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 □ Useful little pocket book by Philosophy contains travel brushes, four lipsticks and a choice of blusher and eye shadow, £38  
 □ Chic and black, these zipped gauzy travel bags by Johnny Loves Rosie can be used for toiletries, files, camera equipment, sunscreen, creams,

tights, underwear and a great deal also. £12.95 for the three sizes, from Liberty (0171-734 1234), Fenwick (0171-629 9161), Selfridges (0171-629 1234) and The Source (0171-937 2626)  
 □ Folding travel slippers in tan or black calf leather, £150, from John Lobb, 89 Jermyn Street, London SW1 (0171-930 8089)  
 □ Much, much sleeker than the

standard film-star vanity case, Samsnrite's Tigris beauty case is tough enough to withstand the luggage carousel but is also small and light enough to carry. From £69, inquiries (0171-538 2075)  
 □ Compact, sleek and with a neat little zoom lens, the Canon IXUS is £259.99. Inquiries (0800-616417)

□ Keep everything from passport, different currencies, credit cards and folding money in Smythson's leather travel wallet. In black, navy, burgundy, green and red, £75, from Smythson, 40 New Bond Street, London W1, inquiries (0900-211311)

Drawings by Margaret Keady



For some of us, holidays are the only times we get on a plane: but there are those for whom travelling is a way of life. They know what to buy in which airport duty-free and what really earns its keep in the carry-all or overnight bag. Here, three people who travel regularly tell us some of the lessons they have learned along the way.

Giorgio Guidotti, creative director and PR director for MaxMara, the Italian fashion house, always takes three cashmere sweaters, "even if I go to the hottest place on earth."

"This year I am going to St Barthélemy in the Caribbean but I'll still take one dark navy blue cashmere sweater, one in beige and then the third one is always different, depending on my mood. This year it will be in a bright blue. I take lots of white shirts - long-sleeved, which I roll up. I'll take T-shirts and navy blue and khaki chinos as well as two pairs of Gucci pants - one bright yellow and one turquoise."

"I always wear a blue blazer to travel in - it means I can carry my passport, money and everything else I need and still look smartly-dressed. Mine is made for me by a Milanese tailor, Sr Antini."

"For my job I travel all the time - sometimes I wake up and don't know where I am. This time I'm going from St Moritz to New York, then to St Barths for my holiday, then back to New York and on to Japan, so I have a big Globetrotter suitcase, which I bought at Harrods, and I carry Gucci leather hand-luggage which is great quality. Then there's my wallet, which is tiny and just holds my credit cards and paper money."



floaties

It seems you're never too young to start learning to swim. Floaties, an Australian company, makes a range of useful aids from Aquanipples (best not to ask) to baby armbands, fog-free goggles and Swim vests for the small set. The swim seat, above, comes in three sizes: size one, 3 to 12 months, £13.99; size two, 10 to 18 months, £15.50; and toddler size, 18 months to 36 months, £16.99. Mothercare and John Lewis nursery departments stock a good range of the products.

"I use Kleihls' or Aveda products and I don't carry many gadgets - I like proper wake-up calls in hotels so I don't bother with a travel clock and I pack cheap pens because I always lose good ones. I take a couple of pairs of socks for the beach and lots of cufflinks - they dress a shirt. With a crisp, double-cuffed white shirt and dark chinos I feel I can go most places."

Johnny Boden, who runs the eponymous mail order company, also takes masses of his own white T-shirts, shorts and gym shoes. This

year he'll be travelling in a peach cotton suit (in khaki, stone or navy, jackets are £72 in the sale, trousers, £34. Tel: 0181-453 1535 to order).

"I take a plug adaptor, the red and the green Michelins to wherever I'm going, and a walking guide. Stanfords now have a very good mail order service - they'll even hike things round in an emergency (tel: 0171-836 1321). I take back numbers of The Spectator to catch up on my reading."

"I've just discovered Penhaligon's Eau de Roi, which

I now use all the time, and my latest discovery is the Pison Sierra 512K organiser which I take everywhere. It's transformed my life because it's much smaller than my Filofax and it means I can do little spreadsheets and other sophisticated things on the flight; and it stores all my telephone numbers and addresses."

Victoria Mather is travel editor of Tatler and her husband says he knows she travels too much because she can't go to sleep without an eye-mask and always dials nine before she makes



These ozone-conscious days, we all know babies and children's skin needs special protection. The Pod is a portable baby shelter designed for the pre-crawling stage. Light to carry and quick to put up (so they say), it packs into a packet weighing about 1kg. £49.95 from Mothercare and Early Learning Centres.

a telephone call. Over the years she has pruned her travelling kit down to the things that really matter.

"I start with a big Prada bag with two thin straps which don't fall off the shoulder. It's in nylon so it doesn't matter if it gets wet; it's terrifically sand-resistant for the beach and it has a big central compartment which can be zipped up for safety. It's designed to be anti-rumple so I can find everything I need instantly."

"I use a Smythson travel wallet for holding passport, different currencies and

credit cards; it's bright red so I can spot it immediately in the bag. I use small Smythson travel notebooks - red, blue and green in rotation - for taking notes and have them engraved afterwards with the dates and places of the journey so I have a record of everywhere I've been."

"I always pack a small down pillow because I tend to get migraines and am allergic to any other sort. A Pashmina shawl comes everywhere with me - it's multi-purpose: a shawl, scarf and wrap all in one, and keeps the air-conditioning at bay."

"On the plane I have the softest double-ply cashmere cardie from Connolly (their airline cardigan)."

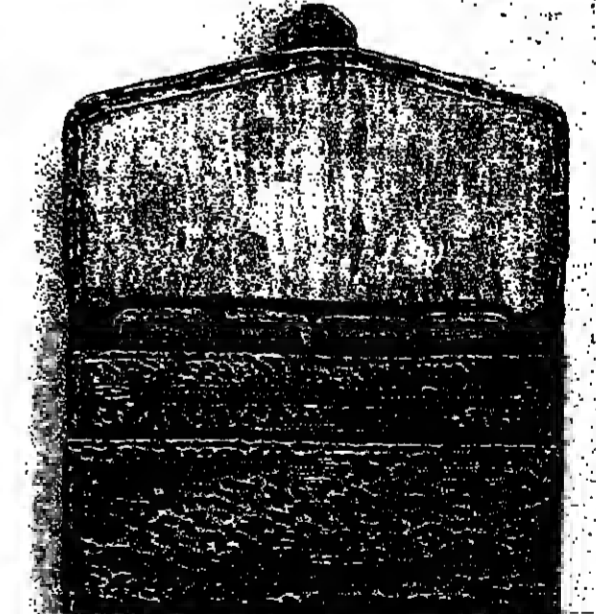
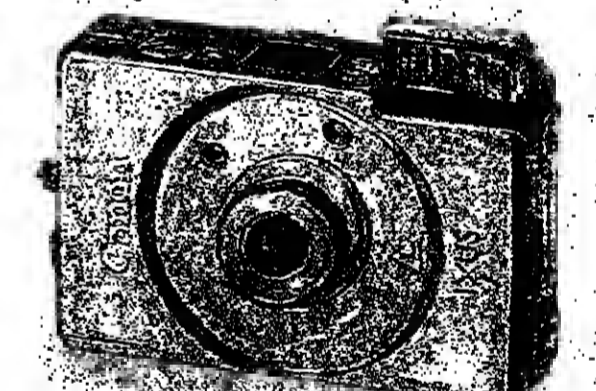
"I often take a Lands' End canvas briefcase because it holds a lot of the things I need - a laptop, and Maglite torch, small Swiss army knife and keys all attached to a special keyring. It opens out flat so I can use it as a working office. I take a small camera - currently the Canon IXUS, which has a mini zoom lens."

"I also pack Nicky Haslam's slippers made from Turkish kilims and have adapted my Men In Black Ray-Bans with prescription lenses. I always take a Mont-blanc pen because it writes in every climate, never gets blabby and also writes upside down, which for travel writers turns out to be essential."

For those contemplating the annual safari to foreign parts, here are some of the best new travel ideas around:

■ It makes sense to carry as few lotions and potions as possible - Daniel Rouah's Travel Mate is a shampoo, shower gel and shaving gel in one. £4.99 for a 200ml tube from Boots.

■ Some people never leave home without their Evian water spray (for freshening up on aircraft) but Jurlique's Rosewater Freshener, which has essential oil extracts of rose petals, smells delicious

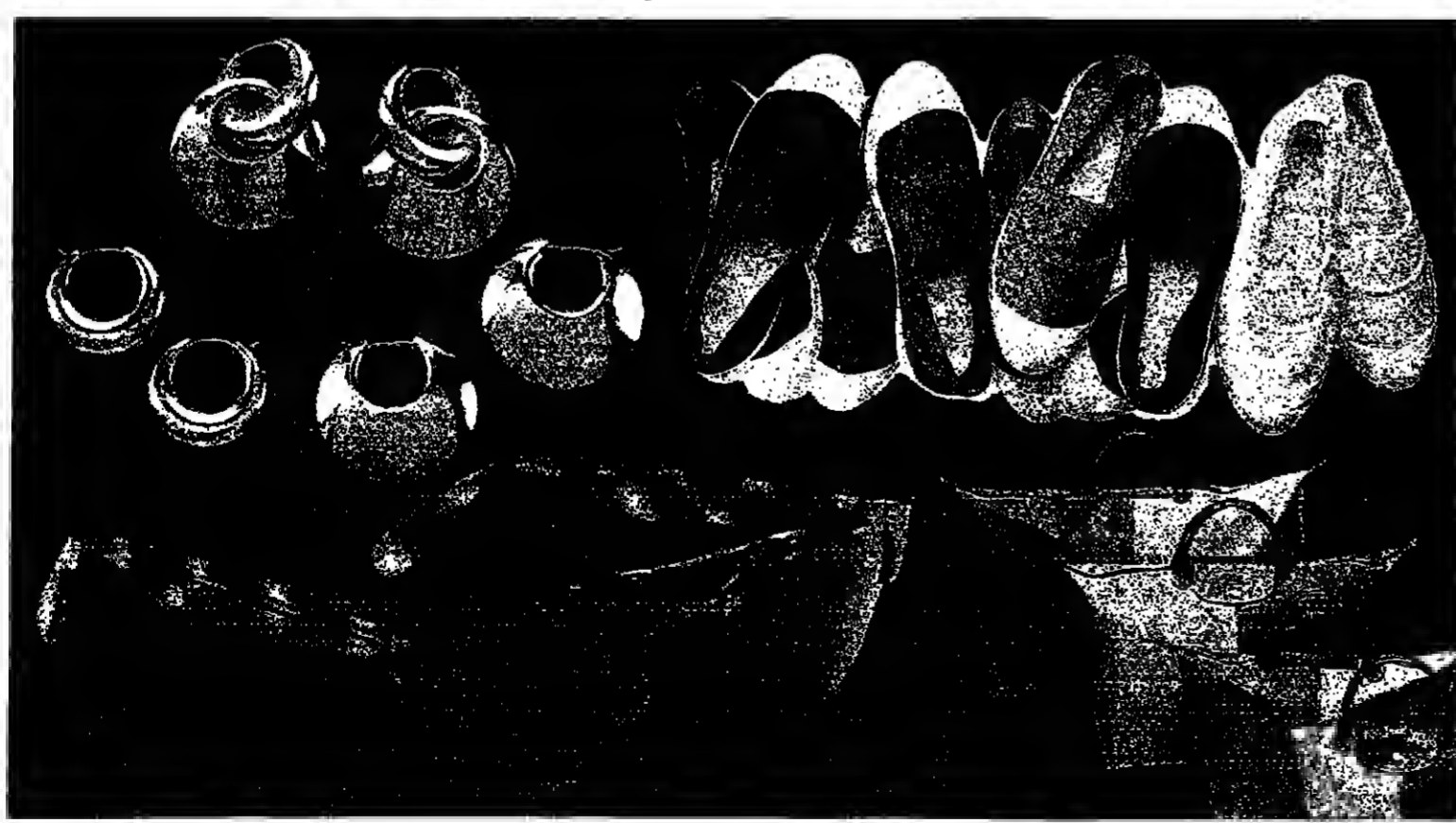


and is just as handy. It is £9.25 from good beauty salons, Dickens & Jones, Selfridges and Space NK shops.

■ Those who don't believe that ironing and holidays mix will appreciate a new pure cotton fabric called Etastar, which has been used in a classic men's shirt by Eton Fashion of Sweden. Our tester reports it had the usual lumps and folds when fresh from the packet, but after a rigorous 14 hours, which included a birthday party for 15 three- to five-year-olds and a long evening at the Claygate Bear Festival, it emerged with scarcely a wrinkle.

After washing, it could have been sharpened up with a light iron but looked respectable without. The shirts come in a range of styles, in white, and in fine or wide stripes in cream and light blue. £60 to £65 from The Shirt Press, 65 Kingway, London WC2B-6TD. For mail order, tel: 0171-430 1433.

■ For many people the kikoi, or sarong, is the essential holiday garment - it serves as shawl, cover-up, light blanket, pyjamas, picnic cloth and even glamorous evening skirt. The Sarong Company, PO Box 158, Rickmansworth, Herts WD8 5TZ (tel: 01823-265174) sells them plain, patterned and in traditional stripes, £15 to £17.50.



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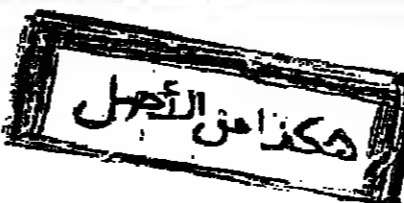
□ Few people want to wear elaborate jewellery when travelling. But jeweller David Thomas has devised some simple hoop earrings in 18 carat yellow gold (£390 a pair), which can be livened up for evening with the addition of pendant drops (£398 a pair). David Thomas is at 65, Pimlico Road, London SW1  
 □ Racing Green calls its version

of the casual canvas shoe "Mary-Anne shoes": canvas plimsolls with elasticated cotton gussets. In navy, marina blue, khaki, red and white, they are £15 a pair. Tel: 0345-331177

□ For those who just know that they will be doing some shopping while away - welcome to Les Plages. Based on Origami, the Japanese art of folding, Longchamp, the French accessory

company, offers an ingenious little bag that folds flat but opens to carry at least as much as a carrier bag. In several colours and sizes, and from £40 to £70, they are available from Harrods, Selfridges and Fenwicks in London, John Lewis stores, and in smaller luggage stores. For a local stockist, tel: 0171-499 9594.  
 □ Fashion in sunglasses changes so quickly that, for those who

mind about such matters, it must be difficult keeping up. For the moment, Web seems to be in. From Kevin Costner and Isabella Rossellini to Princess Caroline of Monaco and Luciano Benetton, Web sunglasses are perched above some of the world's most photographed noses. £149 at Chelsea Eye Centre, 176 Kings Road, London SW3. Tel: 0171-351 3847



MOTURING

# The Rhino Charge Think Mad Max – not Le Mans

The ultimate test for 4WD buffs is being held in the UK. Jack Barker had a taste last year in Kenya

The ultimate four-wheel drive test will take place somewhere in England on October 4 – the UK Rhino Charge, where cars compete to see who can clock up the fewest miles driving from points A to B.

It might not sound too hard – but in the way will be lakes, cliffs, bogs, mountains and a quarry.

The winner will be the driver who can coax the car up the steepest slope, tilt it at the sharpest angle, risk the deepest water – all without spinning his wheels, losing control or getting stuck.

Rhinos can do it – but cars find it much harder. It is the most rigorous test of navigation, driving skills and mechanical design that any off-road vehicle can hope to face.

The idea comes from Kenya where, since 1993, the Rhino Charge has become an annual institution to raise money for an electric fence that will separate endangered rhino and land-hungry farmers.

The location for the event changes every year, but it is always held in a broken patch of bush that is usually

home to elephant, buffalo and giraffe. I took part in the 1996 Rhino Charge, held five hours' drive north of Nairobi. The atmosphere was definitely Mad Max rather than Le Mans.

Fifty off-road vehicles kicked up clouds of dust before dawn. Some were production models but most were customised out of all recognition.

Bodywork had been cut away to free over-sized tyres,

**In Africa, it's a case of scaring off elephant and hiding from buffalo**

roll-bars had been strung over open backs, and bull-bars strengthened. Wheel-bases had been squeezed or stretched, reduction hubs fitted, and suspension units changed.

Most entries were based on Land Rovers or Range Rovers with a few Toyotas, Suzukis and Nissans. But there were oddities, too. One was an old Ford which

looked much as it had on leaving the factory in 1928.

Then there was a high-slung monster on tractor tyres, which showed unmistakable signs of having once been a 1968 Ford Taunus. Each had a powerful winch strapped to the front and a computerised milometer accurate to the nearest 10cm.

By 7.30am, all the cars had reached their starting check-points. Each had to register at 10 of these and then get back to their starting point by 5.30pm.

The route measured 38km on paper, but in the way were rivers, swamps, cliffs, and bushes with 2in rubber-piercing thorns. Each car had a driver, navigator, and as many helpers as could cling on comfortably.

Crewing on the Rhino Charge is not just a matter of being bounced around as the car crashes through the undergrowth. It is scouting driveable routes, finding hidden check-points and helping out of trouble.

It is taking compass bearings and navigating by instinct. It is scaring off elephant and hiding from buffalo. It is levering out boulders, breaking stones that jam tyres, chopping down



The winner is the driver who can coax his car up the steepest slope, tilt it at the sharpest angle and risk the deepest water – all to help rhino survive

Jack Barker

small trees – chainsaws are banned – and searching cliff-tops for winch anchor-points. It is mending punctures and running ahead to make sure a route that starts out driveable stays that way.

Of the 52 cars, 43 completed all 10 check-points. The winner was 22-year-old Neil McCrae in a Toyota Landcruiser, who completed the course in just 38.129km. But the last laugh went to the 1928 Ford, a two-wheel drive machine with no mod-

ifications, which cruised gently round the check-points without even showing the strain.

Winning is not everything, either. A man in his 80s competed as usual, long after giving up driving on the road, in the unmodified Land Rover he has owned for 40 years.

Flushed with my triumph at being in one of the vehicles that made all 10 check-points, I asked him what he thought of the course. "Too easy," he said.

The UK Rhino Charge will be slightly different, as you cannot really go around flattening trees and rebuilding the landscape. A touch of formality will be needed: cars will be street legal, their operators sober, and times cut from 10 hours to eight.

But the course will include quarries, lakes and some of the most challenging conditions any off-roader can face. Competition will be fierce: showjumper Oliver Skeete will take part and

teams are expected from Kenya – possibly including Donna Hurt, wife of actor John, who is a long-standing patron of the event. Other celebrities are expected to be attracted, as much to raise funds as for the driving experience.

Charging about in an off-road car is the fastest way to raise money to complete the electrified fence that is the best hope of survival for the endangered rhinos of the Aberdare National Park in Kenya.

The first venue of the UK Rhino Charge is a secret location in Yorkshire. Teams which raise more than £1,250 for the Rhino Fence will have their £250 entrance fee refunded by the organisers. Minimum sponsorship remains £1,000 per vehicle.

Places are strictly limited and the list is filling fast. For further details, contact the Rhino Arc on 0181-944 6688.

Jack Barker flew to Nairobi with Kenya Airways, tel: 0171-408 0277.



Citroën's 2.1 Xantia TD V6X estate... its unique hydro-pneumatic suspension gives it unmatched ride quality. It just slithers over sleeping policemen

## Road Test

# You know a diesel makes sense

Stuart Marshall puts three through their paces and finds satisfaction all round

If your annual mileage is around 25,000 (40,000km), the only kind of car that makes financial and environmental sense is a diesel. Ideally, it will be powered by Volkswagen Group's 1.9-litre, turbo-charged and inter-cooled direct injection engine. This is so far ahead of any rivals for fuel economy that it is practically out of sight.

Figures revealed in an impartial analysis of company car operating costs by GE Capital Fleet Services, the largest car leasing company in the world, tell the story. It categorises diesel cars in eight classes: small, compact, fleet, management, executive, MPVs, 4x4s and luxury 4x4s.

Winners of five of the classes were the VW Golf (compact), VW Passat (fleet), Audi A4 (management), Audi A6 (executive) and Seat Alhambra (MPV). All of them have the same 1.9-litre engine, which produces 90 or 110 horsepower according to its state of tune.

Their average fuel consumptions, according to the EC Directive 95/116 standard, ranged from 56.6mpg (5.0 l/100km) for the Golf to 43.5 mpg (6.49 l/100km) for the Alhambra.

Even these figures,

impressive though they are, do not tell the whole story.

Diesel Car magazine recently drove two new VW Passats in convoy over a demanding route from Milton Keynes in Buckinghamshire to John O'Groats in north-east Scotland and back to the Humber bridge in eastern England. One had a 100hp, 1.6-litre petrol engine and the other a 110hp, 1.9-litre turbo-diesel.

The petrol car scored 49.97 mpg (5.65 l/100km) at an average 44.65mph (71.8kph), and the diesel 29.45mpg (3.55 l/100km) at 46.35mph average (74.5kph). Both drivers knew how to make a car go as far as possible on every litre of fuel but, from their average speeds, it is clear they did not hang about.

As the driving was continuous and the engines were never cold, this kind of economy can never be achieved in day-to-day motoring. But it does prove, once again, the diesel's superiority as a fuel saver.

Fuel apart, the five VW-

engine is so far ahead of any rivals for fuel economy that it is practically out of sight

purchase than hard-headed fleet managers. The best small diesel car was the Citroën Saxo – "a class-winning package", said GE Capital Fleet Services. Top rating for diesel 4x4s went to the Suzuki Vitara. In the luxury 4x4 class, the winner was the Mitsubishi Shogun 2.5-litre.

For me, the most significant aspect of the survey was the way it proved how much more economical direct injection turbo-diesels are than those with indirect injection (with DI, the fuel is injected into the cylinder whereas, with DI, it goes first into an antechamber alongside the cylinder).

The official EU fuel economy figures tell the story. The 1.5-litre, 58hp Saxo with DI averages 53.3mpg (5.3 l/100km), which is exactly

the same as the much larger VW Passat and Audi A4 with 1.9-litre DI power plants.

The snag with DI used to be the awful clatter the engines made at start-up, and their comparative gruffness when accelerating. In recent weeks, I have driven three turbo-diesel cars: a manual 2.1-litre Citroën Xantia TD V6X estate; a 1.9-litre VW Passat with automatic transmission; and a two-litre Vauxhall Vectra CDX estate, also with manual gears.

For the first minute or two after cold starting, and when running slowly in traffic, the Xantia's DI engine is the most refined of the three. Of the two DI motors, the VW's 1.9-litre was quieter and punchier than the Vauxhall's two-litre, which does not have an inter-cooler – although all three are as self-effacing as a modern petrol engine on the motorway.

In normal, everyday driving – a mix of motorways, short start-stop trips in town centres, and cross-country journeys on minor roads – the automatic VW Passat gave me 47mpg (6.0 l/100km), the Vectra 44.6mpg (6.3 l/100km) and the Xantia 41.5mpg (6.8 l/100km).

In its price/size class, the

new VW Passat TDI is unquestionably the car to beat. The eagerly awaited estate is due in Britain towards the end of the year.

The Vauxhall Vectra estate is more lifestyle than road lugger. Firm suspension gives it sharp, almost sporty, handling. Driving with economy in mind, I have bettered 60mpg (4.7 l/100km) on several occasions.

Despite its elegant lines, the Xantia is a real golfer's estate car. The load space easily swallows two bags of clubs and two Hill Billy electric trolleys, and the cover can still be pulled back. For a load like this, the Vectra's rear seat must be folded forward.

The 110hp engine, first used in the big Citroën XM, makes the latest Xantia 2.1 TD V6X livelier and more flexible than 1.9-litre, 92hp versions, yet the average fuel economy is virtually the same. Due to the unique hydro-pneumatic suspension, its ride quality is unmatched.

While sleeping policemen make many other cars huck, the Xantia just slithers over them. And, however heavily it is laden, the ride height never changes – a nice thought when driving up a ferry ramp with six months' supply of wine on board.

## Classic Car Auctions

# An industry in peril

John Griffiths reports on a threat from VAT

More than 200 classic and collectors' cars went under the hammer at separate auctions at Lord Montague's Beaulieu Abbey in Hampshire and Silverstone in Northamptonshire last weekend.

The sales, held respectively by Brooks and Coys, were possibly the biggest simultaneous auctions since the market for such cars crashed in the recession of 1990-91.

For Robert Brooks and Coys' Tim Schofield they were final confirmation of what this year's earlier sales had indicated: that a firm floor had been established for most models in this highly international market-place, and that prices now are moving steadily – if in most cases, unspectacularly – up from it.

But for those who bought as the bubble was about to burst at the end of the 1980s, the prices achieved at both auctions still made depressing reading. At Coys' sale, for instance, a buyer paid £16,000 – right in the middle of its estimate – for a silver 1965 Austin Healey 3000. He secured a car on which nearly £40,000 had been spent in 1989.

More painful yet, a Ferrari Boxer 365 GTB fetched £39,000 – just £1,000 above its maximum estimate. In 1986, a record auction price of £300,000 was paid for an identical car.

The sales indicated several E-type Jaguars, one of the most highly desirable and (relatively) affordable of all sports cars. Indeed, Schofield said E-types are the main barometer for the general health of the classic and collectors' car market.

Those which had been restored carefully were knocked down in the £25,000-to-£35,000 bracket, compared with a market peak approaching £100,000. But, at the start of this year, they would have done well even to reach £25,000, and 365 GTBs were fetching only between £40,000 and £50,000.

Brooks is philosophical. It might be a slow climb, he said, but it is a climb nonetheless. It means that, just like the UK housing market, there is diminishing negative equity at long last for some of the unfortunates whose bubbles burst most explosively than others.

Both he and Schofield say the strongest gains are being made by two main types of car. One comprises the truly exotic rarities of excellent pedigree and exceptional

original condition. Although these only enter the market-place occasionally, and their prices can still run into seven figures, Brooks cautioned: "It's still a risky, unpredictable area."

The more widespread category contains lesser cars which have been well-kept or restored sympathetically to virtually new condition.

There is, however, a cloud hanging over the scene, which not even the relatively buoyant prices of last weekend could dispel – and that is the revised interpretation by Customs and Excise of a two-year-old Brussels directive on the

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Should the practice continue, they claim, the entire classic car market and its associated auction business will be driven overseas. "Left unchallenged," said Brooks, "this is on course to ruin an entire industry, of which the UK is world leader. We are all going to wind up shifting our operations to New York."

That is not all. As Brooks and Schofield noted, there is another factor that, in the long term, is likely to prove at least as much of a drawback for European enthusiasts – the sheer size of VAT rates. The total price for that 365 GTB Ferrari becomes nearly £70,000 when VAT is added at 17.5 per cent.

The result: a steady, permanent outflow of cars from Europe to countries such as the US where such taxes are notably by their absence. "The UK stock of cars will simply drain away," said Brooks.

The point had particular relevance at the Coys sale where a number of cars from the Durst collection in Switzerland were offered. VAT was payable on almost every one.

A challenge, however, is about to be made. The industry has formed a trade group, the Historic Motor Business Association, comprising the auction houses, dealers and other interests. Late this month, it is taking Customs to court over its interpretation of the EU directive on six sample cases. The outcome, said Brooks, will decide the fate of an industry.

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## FOOD AND DRINK

## Cookery

## 'I want a sour taste in my mouth'

Philippa Davenport struggles to find an authentic cooking cherry

This time last year I wrote in praise of Morellos and other cooking cherries. I lamented the fact that, although sour cherries are more easily grown in Britain than desert varieties, they are rarely seen on sale in UK fruiters and none of Britain's supermarkets stock them.

A week or so later, "in response to demand", Waitrose started selling Kellers, which they described as a Morello alternative and clearly labelled "cherries for culinary use". News also reached me of pick-your-own orchards and a farm shop in East Anglia selling sour cherries.

This year I hoped there would be even greater availability but Waitrose says it has no definite plans to stock cooking cherries this summer. "A few supplies, sourced locally, in small quantities may be available here and there, but nothing is certain."

I drew a blank at other supermarkets - except Sainsbury. In 54 of their branches, sour cherries are on sale, and should be available for another 10 days or so.

Another source is Brogdale

Orchards in Kent (tel: 01785-535286). Brogdale is home to Britain's National Fruit Collection, grows over 200 varieties of cherry and has its own shop where a splendid selection of fresh fruit varieties are on sale. Gerry Oughton, its director, says that dukes are fruiting now. (Dukes are crosses between desert and culinary varieties of cherry, suitable for eating raw and cooking, some sorts are at the sweeter end of the scale, others are decidedly tart.) Sour cherries are not expected to come on stream until next week, and Morellos, the most famous variety of sour cherry, will probably not start cropping until the end of this month.

Oughton was surprised when I told him that Sainsbury is selling British-grown Morellos already.

Perhaps the word morello was being used in its generic rather than varietal sense - morello with a small m, not a capital M - as I have used it in the past, as a synonym for sour or cooking cherries rather than a particular variety. But the buyer at Sainsbury and its supplier insist the variety on sale in its stores is a true Morello.

Brogdale cherries are stocked by Fortnum & Masons of Piccadilly, London. Elsewhere in the UK, readers should keep their eyes open for Women's Institute markets, where members occasionally sell home-grown fruits as well as preserves made from them. Bearsted WI in Kent and Southwell WI in Nottinghamshire are offering sweet cherry products.

Incidentally, did you know that



the WI runs a food parcel scheme that operates a little like Interflora? Go to your local WI market or telephone 01734-394646 and they can arrange for a selection of goodies to be delivered by the market closest to the recipient's home.

While ringing supermarkets to check the availability of cooking

cherries, I made two other happy discoveries. First, some branches of Sainsbury and Waitrose are selling fresh girolles or chanterelles mushrooms. An expensive treat but, like morels and porcini, I reckon these wild mushrooms are really worth a premium price. Sainsbury's offerings come from France; Waitrose's are Scottish.

Tesco, meanwhile, is celebrating the holiday season with a whiff of sea air, selling salt-packed dulse and sea lettuce from Brittany in 100g punnets. Why not British-grown laver and samphire, I wonder?

## SALMON WITH SEA LETTUCE, GINGER AND GARLIC

(serves two)  
100g fresh sea lettuce; 2 salmon fillets weighing about 125g each;

a knob of ginger; a sliver of garlic; 1-2 spring onions; 1½ tablespoons peanut or mild olive oil; 1½ teaspoons sesame oil; half a lime; soy sauce.

Plunge the sea lettuce into cold water for one minute only, swirling it around to wash off some of the salt. Squeeze dry and shred roughly. Scatter half of it in a steamer basket. Lay the fish, skin side down, on top. Season with black pepper and a squeeze of lime, and scatter the rest of the seaweed on top.

Steam for 4 minutes then rest in a warm oven for 5 minutes before serving with plain boiled rice and a dipping sauce.

To make the sauce, chop the ginger, garlic and spring onion finely. Put them into a small pan containing the oils and beat very slowly indeed to soften them

slightly and aromatise the oils as much as possible. When very hot, season generously with soy sauce and lime.

## CHERRY PILAF

(serves four to five)

This comes from *Classic Turkish Cookery* by Gillie Bassan (Tauris, £19.95), a lovely summer pilaf, tinged a light shade of pink, to serve hot or cold with grilled poultry or lamb.

225g long-grain rice; 175g sour cherries, washed and stoned; 2 tablespoons butter, preferably clarified; 1 teaspoon sugar; 1 teaspoon caraway or fennel seeds.

Wash the rice or soak it for half an hour. Rinse and drain well. Melt the butter in a deep pan. Add the cherries and sugar and cook for 2-3 minutes, stirring carefully. Stir in the caraway and rice and cover with 600ml water seasoned with ½ teaspoon salt.

Boil for 1-2 minutes. Reduce the heat and simmer, uncovered, until most of the liquid has been absorbed. Remove the pan from the heat, cover it with a clean tea towel, press the lid firmly on top and leave for 15-20 minutes. Fluff up the rice for serving.

## Eating Out

## You simply must try the armadillo

Giles MacDonogh visits Grenada and spurns its Americanised cuisine for genuinely wild food

Down in the village no one seemed to have the foggiest idea where the place was. We stopped at a roadside bar. One of the rum drinkers pushed his way through the crowd and pointed up the hill. The road was little more than a dirt track. My driver stopped beside a half-constructed building. "This is it," he said.

I peered into the darkness. There was a light on inside, and two men drinking from bottles of Carib beer. They got up to leave, but as I made my way into the other part of the house a woman emerged and shook my hand. This was Rosanna Moore and I had arrived at the Seabreeze restaurant (001809-4446374). She said that dinner would be ready in just two minutes.

Given the remoteness of the spot, I wanted to retain my driver. He seemed reluctant. "I don't like that wild food much," he had told me on the way. I bought him a cola and he agreed to wait. As I came back in, I noticed my table: it had been set up in a corner of the half-completed room, among the litter of unconnected wires and breeze-blocks. I ordered a beer.

The cook emerged with my dinner. One plate was heaped high with salad: things: rice and (pigeon) peas, carrots, beetroot, callaloo greens and coleslaw.

Another bore a piece of fish fried in flour with black pepper and cloves. The third dish was what I had come for. It contained four or five chunks of meat covered with reptile skin. The other pieces of meat had a hard coating, like a thick, overlapping leather sole. The first was iguana, the second tatou or armadillo.

I set to, slightly put off by the vomiting-like noises which seemed to be coming from the direction of the car. The iguana was similar to

increasing demand for Caribbean food and drink in the UK is being addressed by a number of companies. Prominent among them is Sunburst Commodity Trading, formed in 1993.

Callaloo, Caribbean salsa, hot pepper sauce, jerk sauce, ackees and Scotch Bonnet are just a few of its products. For details call 01622-833083, fax 833085.

chicken, except that the slices from the tail contained large piscine vertebrae. Tatou was much gamier. The smell was musky and the texture gelatinous. You had to scoop the flesh off the inside of the animal's armour-plating.

Crickets chirped among the building blocks and my driver continued clearing his throat. As I paid, my hostess told me to remember that tatou was Grenada's true national dish, whatever any-

one might say.

Young people scarcely touch wild food these days in Grenada - the most southern of the Windward Islands in the Caribbean. Another Grenadian in his 20s told me of the revolution he had felt when he dished himself up a monkey's paw at a wedding breakfast. "Monkeys are pets, not food," he said. Others hauled at the small nancian possum or turtle, which may still officially be eaten when there is an "r" in the month.

These young people have grown up since the American invasion of 1983 and have supped on fried chicken and hamburgers ever since. Americanised hotels have replaced Grenada's moribund spice trade as its chief source of foreign currency. There the stress is on "international cuisine".

To be just, you can eat well in some of these: the Spice Island Inn (444 4258), Cicely's restaurant at the Calabash (444 4334), the Canboulay restaurant (444 4401) and Indigo (444 2000) are four of the best. Look out for lambie, or conch, landcrab, "dolphin" (don't worry, just the fish, mahi-mahi) and "rotis": meat-filled pancakes which demonstrate the Indian influence in the region.

For a more local flavour you are often forced to eat in more homely places which shut at night. Exceptions are the plantation houses Mount Helicon (440 2444), above St George's, and Morne Fendue



Market square in St George's, Grenada: in the little bars of the capital you can find decent goat curry

(442 9330), in the north of the island.

Morne Fendue is run by the octogenarian Betty Mascol. It is worth going for the lunch: callaloo soup (thickened with coconut milk) is served with chili-sherry.

The buffet always offers pepperpot among other things: pork and oxtail with cassareep (sweetened cassava syrup). The current stew has been on the boil since 1984. It was briefly interrupted by the curfew imposed by the revolutionaries, and by the American invasion which followed.

The one local dish which eluded me was "oil down": salt pork cooked in a reduction of coconut milk, bread-

fruit and callaloo. I was told that breadfruit was out of season.

In the little bars of the capital, St George's, I found decent goat curry. The best I had was while picnicking on Sandy Island, a strip off neighbouring Carriacou, after a few pre-prandial sharpeners at the Hillsborough Bar, run by "Brammle Eddie".

Eddie is best known for his punches, drinks founded on the island's rum distilleries. The favourite is Clarke's Court. The building reminded me of a print from Piranesi's *Carceri* crossed with some of the wilder inventions of Heath Robinson. The locals like the pow-

erful white, but I preferred the G.R.O.G., an older dark rum which derives its name from "Georgius Rex Old Grenada". It has to be said that the dictionary spurns this etymology of the word "grog".

River Antoine is positively antediluvian by comparison: a real working museum where nothing can have changed for a century or more. They make just one (white) rum, marked "slightly overproof". I pressed them for greater exactitude: slightly overproof means 151 degrees. Proof is 100: the hooch is 75 per cent alcohol.

One Grenadian way of drinking rum is "Under the

Counter". This is a ready-made punch containing outmeat, cinnamon, peanuts and bay, as well as some fleshy element: cubes of raw beef, a venomous centipede or a millipede. Its famed aphrodisiac effect is supposed to derive from the presence of the bark of the "bois bandé" tree.

I tracked the punch down to a small bar in the back streets of St George's. The landlady hooted with delight as she fetched the demi-john, promising me heightened sexual awareness for a month at the very least. It smelled vile, but was palatable if quickly followed by a Carib (or even better, a bottle of Piton from nearby St

Lucia). While it made a burning path towards my intestines my neighbour regaled me with tales of taton hunts.

"They are plucky little beasts and frequently kill the dogs which bait them. I looked up at my hostess. She was beaming with pleasure. She had fished something out of her freezer which looked like a large rock lobster: anyone for armadillo?

■ Giles MacDonogh's trip was organised by the Grenada Board of Tourism (0171-370 5164). British Caribbean flights start at £305 return. He stayed at the Spice Island Inn (444 4238); prices from \$260, off season.

Britain's top kitchenware mail order company, famed for fast, friendly service and competitive prices, concentrated on selling plastic bags and storage boxes for freezer addicts when it was launched.

Its latest catalogue includes such diverse items as *crème brûlée* irons, zapplewood pepper mills with coarse, medium and fine grind settings, and smart stainless steel universal steamers.

The company name has changed from Lakeland Plastics to Lakeland Ltd and three new shops are about to join the existing 12 that supplement the mail order business: Truro in August, Exeter in September, and Peterborough in October. For catalogues or other inquiries ring 015384-56100.

Philippa Davenport

■ Sainsbury is offering Louis Kremer champagne at just £9.95 until August 30. This is far from the finest champagne on the market, but it is also very far from

Appetisers  
New  
pots  
and  
pans

the worst. Not too acid, not too obviously sweetened, and quite respectably packaged. If this is part of Sainsbury's attempt to regain the crown from arch-rivals Tesco, then take advantage of it.

Jancis Robinson

■ First the sad news. Inness of Tamworth in Staffordshire ceased trading as a bakery shortly before my recent piece on bread went to press. A great pity, for Hugh Lillingston certainly contributed to the better breads movement in Britain. The bread and fine food shop in Thame that used to belong to De Gustibus has been sold to its former man-

ager. Now trading as Umber-to's, it remains a leading stockist of De Gustibus breads in the area.

De Gustibus's own shop is now located at 53 Blenheim Street, London W1 (tel: 0171-496 8606). Other London retail outlets of De Gustibus breads include Selfridges and Fortnum & Mason in W1 and Tom's in Westbourne Grove W11.

Perhaps the best news is that Dan Schickentanz of De Gustibus is running occasional Saturday bread-making courses in Oxfordshire - a demystifying and educative mix of theory and hands-on. A few places are still available on September 13 and October 18. For information, fax 01235-555777. PD

■ Paneer, the soft, fresh cheese of Indian cooking, is like mozzarella, bland and slightly rubbery but delicately milky. It is an essential authentic ingredient of such classics as *matar paneer* (a lightly spiced dish of peas, tomatoes and golden cubes of fried soft cheese) and it makes an appetising substitute for tofu (the soy bean curd product much used by vegetarians).

Paneer is easy enough to make at home but the process is lengthy. So cooks pressed for time may be pleased to learn that paneer is now made and sold in Britain by Stilton-makers Long Clawson Dairy. Look out for it in half-pound packs at Sainsbury, Tesco and Morrisons, as well as in some ethnic and health food shops. PD

## Wine / Edmund Penning-Rowse

## Judgment day for class of '87

In Bordeaux, after the successful 1985 and 1986 vintages, the 1987s were a distinct disappointment. Although July and August were hot and dry that year, intense rain, beginning in September, continued intermittently throughout the vintage.

October's rainfall was twice the average. It was a better vintage in St Emilion and Pomerol, where the Merlot grape was dominant, but in the Médoc the Cabernet Sauvignon did not ripen completely.

The most fortunate growers were probably those who picked before the October rains. The crop was smaller than in previous years and in some cases growers did not offer their wines *en primeur*. The first growths, always the prime example of quality, dropped their opening prices from around FF200-FF225 a bottle in 1986 - and almost a uniform FF180 in 1986 - to FF123-FF135 in 1987.

Initially, there were few takers for investment but five or six years later these early developers, faced by the disappointing wines early in the 1990s, after the great 1990, made the easy-to-drink 1987s increasingly popular. One local broker said it was impossible to buy a case of the first-growths

on the Bordeaux market.

Our annual dinner-tasting at my home brought a total of six tasters, two of them, Jancis Robinson and Michael Broadbent, Masters of Wine. Following each wine, my notes came first followed by the comments led by the Masters of Wine below.

The wines were decanted at least an hour before dinner, were refreshed with the cheese that followed the main meat course and a vote was then taken, with the lowest wine of each taster taken first and the last wine their favourites, and then tallied up. 7, Margaux (40); 6 Lafite (29); 5 Latour (27); 4 Haut-Brion (25); 3 Cheval-Blanc (18); equal first Mouton Rothschild (15) and Petrus (15). Two of the six tasters - including myself - placed the Cheval-Blanc top.

Only one bottle of each wine was opened, and Ausone was not available for tasting. After 10 years in bottle, some bottle-variation may be expected, so in the past we have had disagreements with those whose wines were not well placed in these tastings, which began in 1976 with the 1966 vintage. Opinions differed, but that is one of the pleasures of drinking fine claret.

HAUT-BRION  
Medium colour, distin-

guished nose and typical Graves, earthy flavour. Very pleasant wine for current drinking. Medium, plummy colour, spicy, tobacco nose, fairly full flavour but indecisive in character and style.

A very pleasant drink, medium colour, apparently fully developed, long in the mouth with appealing sweetness: oyster shells, warm bricks.

Watery rim, less dusty

the palate, hard. Light strawberry colour, slightly thin on the palate; hard. Not an attractive wine, sad to say.

LAFITE  
Very good colour, scented nose, some concentration of flavour, easy drinking, without much distinction.

Deep intense colour, austere flavour failed to develop in the glass, hard, tannic. Deepest colour of all, low-key nose, scented, rather lacking concentration in flavour; archetype of delicacy.

Good colour, spicy on the palate, some length and bite.

MOULTON-ROTHSCHILD  
Fair colour for year, some concentration on nose, a good but run-of-the-mill classed-growth Pauillac.

Medium deep, pretty colour, slightly chocolatey nose, distinctively spicy.

Bright crimson colour, probably at its best, spicy nose, the most concentrated of all, long, real interest.

Rich, almost thick on the palate, and slightly heavy.

LATOUR  
Less colour and more attenuated nose and flavour. Not as expected for usually the deepest, most powerful Pauillac, easy but undistinguished drinking.

Not as deep in colour as

expected even for an 1987, low-keyed nose, medium sweet flavour, satisfactory but weak.

Initially sweet but high acid content; less interest than Mouton, clumsy, short.

Intense colour, but no more than a straight-up-and-down wine.

CHEVAL-BLANC  
Deep colour, sweet nose and flavour, relatively light but long, my favourite wine of the list.

Attractive colour, caramelised, very sweet, earthy, easy drinking, chaplained flavour, "stinged".

Sweet,unctuous flavour. Probably not much future.

Very good colour, slight bitterness at the end of taste, atypical of top St Emilion.

PETRUS  
Deep, port-like colour, full nose and flavour. Not as rich as hoped-for, enjoyable but not distinguished drinking.

Fine ruby colour, the best of all, fragrant nose, crisp, straightforward wine, some bitter finish.

Very good colour, more fruit and flavour than the others, but no great concentration, though typical of this vintage wine.

Good colour but slightly subdued nose, gold on the palate, but lacking concentration. Slight burnt finish.

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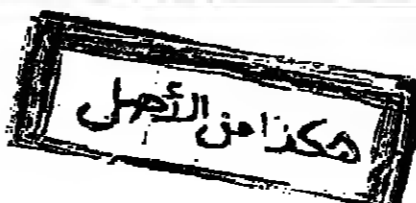
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## PROPERTY

# Make yourself at home during the holidays

Anne Spackman and Gerald Cadogan say summer home-seekers need to visit their chosen idyll several times if they are to avoid buying in haste and repenting at leisure

Few people can resist playing the lifestyle swap game while on holiday. It involves browsing through the property adverts, working out what you could afford if you sold your current home - or looking at the cost of buying rather than renting a base for your annual summer holiday.

For British buyers, a holiday house on the Continent is more enticing now than it has been for years. A strong pound means properties are between 20 and 35 per cent cheaper than last summer in a mostly sluggish European market, making prices cheap in local currency terms and even more

so in sterling.

It would appear to be a good time for UK holiday-makers to buy their own foreign nest. But, as such a situation cannot last for ever, it is wise to be cautious.

So, what turns holiday window-shoppers into committed buyers? And which factors make for a successful transition from annual visitor to home-owner?

Most visitors are on at least their third trip to their chosen spot before they consider buying.

To make the move successfully, it helps to have friends or family rooted in an area. Alternatively, many people move to the place where they can best indulge their

favourite pastime.

In any case, it is wise not to let compulsive house-hunting ruin your holiday, as too many viewings get in the way of the rest and recreation.

Instead, use the holiday to see how you like the area. Then go home, think about it and, if you are still enthused, return in the autumn, and keep on visiting until you find the right property.

Agents are quick to sniff out people who are idly curious, giving them less attention than the serious potential buyers.

"I always ask, are you on holiday... or are you actually looking?" says Barbara Wood of

Knight Frank's associate, B.D. Wood, in southern Spain.

If they are on holiday, she might give them a general tour. If they are serious, "they can look very thoroughly in three or four days," and "see the six or so properties on offer at any one time" that may suit their requirements and price range. "Go on for longer, and one loses concentration," Wood adds.

If possible, ring ahead to make an appointment with the local agent. Or consult agents in the UK before you leave, who will put you in touch with their local contacts. There is no extra charge, as the UK agents take a share of the commission the vendors pay to local agents.

## Where to start the search for your own summer hide-away

### Ireland

"You would be amazed at some of the properties people buy here on impulse," said agent Michael Daniels, who returned to his native Ireland last year. Americans, he says, are particularly prone to temptation. Beautiful countryside, coupled with the refreshingly relaxed attitude to life, is a heady mix to resist, though the rain can prove a dampener.

Country houses in good condition have been hard to find this year. Prices have risen 20 per cent, with expatriate Irish buyers and many European nationalities competing for the best. Knight Frank (KF) has just sold two large houses at auction, both of which exceeded their guide prices. Rathkenny, an 18th century house with 140 acres and within an hour's drive of Dublin Airport, in the good horse country of County Meath, sold for £570,000 (£587,000) against a guide of £460,000. Drumbawn, an immaculate period house overlooking Lough Mask in County Mayo, with a five-hole golf course, fishing and 64 acres, sold for £1.1m, a record price for the west of Ireland.

A more modest three or four bedroom house with an acre of garden, within an hour's drive of a good airport and near the coast, is likely to cost around £200,000, according to Colin Mackenzie of Hamptons. Further inland, north and east of Cork and Galway, prices fall to nearer £100,000.

Cottages in the Shannon, which is popular with German buyers, cost between £50,000 and £100,000, depending on location or condition. "You can still pick up a wreck for £20,000," says Daniels.

Apart from the normal estate agency and lawyer fees, the one nasty surprise for overseas buyers is that stamp duty is charged at 9 per cent.

Michael H Daniels, Cork: 00353 25 39145; Knight Frank 0171-629 8171; Hamptons 0171-493 8222

### Long Island

Fashionable for East Coast buyers are small wooden beach houses in a great position overlooking the sea. Philip Fenwick Elliott, who runs Sotheby's office in Southampton, says he has one client who has aban-

doned his plans to build a \$3m (£1.7m) home and is looking for "a Waspy cabin" instead. "I'm getting more and more requests for something peaceful and simple, with a beautiful deck and view," he says. "There is a move away from the grand house with marble bathrooms."

Smaller village houses just a bike ride from the beach can still be bought for between \$200,000 and \$300,000. But anything by the "ocean", however simple, commands a hefty price tag. Prices of between \$2.5m and \$5m are paid for the classic 1920s grand houses. "Anything between \$2m and \$2.5m is regarded as good value," says Fenwick Elliott.

This is prime weekend and holiday country for New Yorkers. Those who can arrange it, base their families on Long Island for the "season" from Memorial Day to Labor Day (last Monday in May to first Monday in September), with the father commuting. Many wealthy owners let their houses during the summer, achieving prices of up to \$350,000 for three months in a large house on the ocean or \$5,000 a week for a beach house in

August.

US real estate brokers charge 5 or 6 per cent commission, paid by the seller. □ Sotheby's International Realty, Southampton 001 518 283 0000

### Southern France

The sun is starting to shine again on houses in the Côte d'Azur. Across Provence, buyers are returning to take advantage of the cheap franc and the lengthy French property recession.

For buyers in sterling, prices have fallen by 30 per cent, largely as a result of the rise in the value of the pound. Buyers in dollars - who include many western Europeans, as well as Americans - have also benefited. The result has been a substantial increase in international house-hunters, particularly from Britain. Hugo Skillington, who runs Knight Frank's office in Grimaud, near St Tropez, did as much business in the first month of 1997 as in all of 1996.

Asking prices, often set more in hope than expectation, are not rising and there are still bargains to be found. But buyers might

struggle to knock down asking prices by more than 25 per cent. The owners of Bon-porteau, an exceptional house on the coast at Cavalaire, which has been on the market for some time, have just raised their asking price from FF15m (£1.5m) to FF18m, because of current interest.

Richard Wolf of Riviera Retreats, which rents and sells villas in the south of France, says the basic starting price for a decent villa is around FF3m. For something good, expect to pay FF5m. The expensive homes in the best positions on the coast can cost 10 times as much. Knight Frank is asking FF18m for a large, pristine villa with a pool and tennis court near the village of Mongins, 20 minutes from Cannes.

Inland from the prime coastal regions, in the pretty hill-top towns, buyers should expect to pay around FF2.5m for a three or four bedroom period house. Hugo Skillington is selling two properties at that price, one with a pool, in villages north of St Tropez.

David King of Hamptons says the eastern end of Provence seems quiet. Buyers looking for value in the south are concentrating on the Gascogne/Lot/Tarn areas, where they can get so much more for their money. The Dordogne is still a buyer's market, with the stock of property keeping prices down.

Buyers should expect their conveyancing costs to come to 10 per cent of the purchase price, with taxes taking the lion's share of the money. □ Hugo Skillington, Knight Frank 0033 494 43 28 63; Riviera Retreats 0033 493 12 34 00; Hamptons International 0171-524 8522

### North-west France

In Brittany and western Normandy, demand for holiday homes, says Vivian Bridge of North & West France Properties (0191-891 1750), is four times more than for retirement properties. (Retirees tend to go farther south to the Dordogne, Lot and Tarn.) The market, badly hit by the devaluation of the pound on black Wednesday in September 1992, is still in the doldrums. Buyers, says Bridge, should be able to negotiate discounts on the asking prices. A typical two-bedroom cottage sells now for between £25,000 and £30,000, and a larger house or manoir, for around £120,000-£150,000, which is remarkable value given the region's proximity to the UK.

A useful guide to property for sale throughout France, with lists of local agencies, is *L'Immobilier en France*, sold each month at FF12.

Another increasingly popular option is weekly commuting from Spain through Gibraltar or Malaga, while keeping a pied à terre in the UK.

In the prime area west of Marbella, near golf courses and the Puerto Banus marina, B.D. Wood (0034 5 288 3710) offers flats in the El Ancho Sierra scheme from Pta18.5m (around £74,000) to Pta41.8m. Amenities include a club house with a heated swimming pool and 24-hour security. Or, there is a magnificent hilltop villa from the agent, La Alhaja between Marbella and San Pedro, for Pta325m.

Down the coast towards Gibraltar, Hamptons (0171-493 8222) is selling two villas on the Sotogrande estate, both priced in sterling. Los Arcos costs £665,000 and La Leonera, in the Valdeerrama part of Sotogrande (where the Ryder Cup takes place in September) £380,000.

The mountains offer the chance to buy older houses and acreage for less money. Near Ronda, Haciendas Real Estate Group (0034 5 285 5585) is selling for Pta76m a restored house with 20 hectares (50 acres) and a ruin with 130ha.

For buyers there is plenty of choice in the prime area between Marbella and Gibraltar. On the sea, or up in the hills? On a golf course, or beside a marina? These

Postcards of home? Properties pictured include: La Petite Tourraque (South of France), FF16.5m from Hugo Skillington; the El Ancho Sierra scheme (Marbella); Addisford Cottage (Devon), £250,000; Rathkenny, which sold for £537,000 (Ireland); and an 18th century villa near Todi in Italy (Sienna)

decisions depend greatly on buyers' long-term intentions - on whether they are looking for a second home or for a retirement home.

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Umbria, as in Spain. But only up to a point.

Chianti, between Siena and Florence - a market that is 99 per cent holidaymakers with very few British people living there all the year - remains expensive, especially compared with Andalusia.

At the same time, the market is buoyant. Two properties recently offered by Chianti Estates (at £1.45m and £2m) sold in weeks.

Redundant farmhouses are favoured by the supply is finite and by now any capable of restoration must have been restored. An alternative is to go 40km south-east of Siena to Montalcino, home of Brunello di Montalcino wine, where the Frescobaldi family, known for its wine, is selling nine 18th century farmhouses on its Castel Giocondo estate. They are unrestored - with traditional tile floors, stabling and stone and brick arches - and have outline planning permission for restoration and a swimming pool. With prices between £250,000 and £650,000 (unrestored), the end product will not be cheap. Each house has about one hectare of land. The agent is Chianti Estates (0039 577 71120) or KF (0171 629 8171).

Another possibility is to buy for £2,000m an 18th century villa near Todi in Umbria. It has a converted 17th century olive pressing mill and 16 hectares, which include 8ha of olive for a supply of one's own first pressing. The agent is Brian A. French (0171-735 8244).

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### Devon and Cornwall

The two counties are on a long peninsula offering a variety of properties, from cottages and farmhouses in warm, hidden valleys in the south, to the moors or north coast cliffs. Sailing is better on the south coast, beaches on the north.

Improved rail and air links make commuting feasible, says Jonathan Haward of Truro buying agent County Homesearch (01872 225349). He finds few impulse buyers, but some return in the autumn for serious looking. The busiest time for inquiries is January.

Two thirds of the buyers with Salcombe estate agent Michael Waller (01548-943245) are from London and the home counties, especially the Guildford, Reading and central London postal zones. Many go for the sailing.

The firm offers Brook Cottage (and its wisteria) at Combe near Salcombe, a mile from the beach, for £235,000, and the Old (Baptist) Manse in the town for £165,000.

In a dramatic cliff-side spot above the bar at the entrance to Salcombe harbour, Marchand Petit (01548-844473) is selling Bar Lodge for £269,000 - and, for £92,500, a modern three-bedroom cottage on Kingsmore Creek near Kingsbridge.

Addisford Cottage at (Inland) Dilton is picture-book Devon, thatched, listed and old. With 11 acres, it costs £250,000 from Hugh McKenna (01382 499690).

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The sprawling pound - it now buys about £3,000 - has brought down the prices for UK buyers in Tuscany and

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# A voyage of rediscovery

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# Cooling winds preceded Budget

style of the large houses on the edge of Le Touquet in France. It has four reception rooms, an indoor swimming pool, four main bedroom suites, six further bedrooms and two staff flats. The guide price is £4.3m, though the property is also offered in three lots.

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## TRAVEL

# A sense of history amid the bomb damage

For Jack Barker, Vietnam's past of imperial and military excess is indeed another country

The local buses inched up the coast road with their passengers walking behind. At every crest a new vista of blue sea, curving sandy bays, and hills rising up to the mountainous interior was a source of elation. Water tanks on the roof drip-fed damaged cooling systems and trickled out in trails on the tarmac. As tourists we sped past in a four-wheel drive provided by World Vision that must have been intended for a better use, but this cut the journey from the airport at Danang to the historic capital of Hue to less than two hours. Here, I had been told, were tombs.

This gave no idea of the grandeur of Hue's archaeological heritage. Although younger than other famous eastern monuments such as Angkor Wat and Pagan, having at most some 300 years under their belts, the tombs of the empire that preceded French colonisation are of similar scale and beauty. That they are so recent makes the story of their building even more striking and redolent of imperial excess.

My favourite tomb was built by Tu Duc, who died in 1883. Soothing courtyards wind between ceremonial temples, set in landscaped lakes filled with lotus plants. The emperor's morning tea would be made with dew collected from their leaves. Building Tu Duc's tomb over three years put such a dent in the economy that it sparked a serious insurrection, which his servants might have joined if they had known what the future held. The 200 who took part in his burial were beheaded to keep them from disclosing the grave's location to robbers.

Built to be used as royal retreats as well as final resting places, the temples of Hue are scattered over the countryside to the south of the city, mouldering in the fertile heat of a lush tropical paradise.

There is plenty to see in Hue itself. The enormous Citadel was upgraded from earth to brick in 1804, and not completely destroyed by the Vietnam war. During the Tet offensive of 1968, the Vietcong occupied the Citadel and it took the Americans a month to get it back. The walls are still pockmarked by bullet holes and pierced by shell-bursts.

The Citadel once housed the main residential area of the city, but no rebuilding has been attempted and the four square miles enclosed by the main walls and moat have been repossessed by farmers.

Most of the fighting happened a few miles further north, around the de-militarised zone that was meant to separate Vietnam into two. Towards the DMZ, burnt-out sentry posts stand mutely by rivers, and bombed churches are left to testify to the fighting. Veterans of the American film industry will not find any of their heroes striding through swamps or the photogenic roadside tanks that live on in the brochures.

Any abandoned weaponry has long since been sold off for scrap, and there are plenty of Vietnamese with local metal detectors - sticks - digging up the countryside looking for more.

Some of the other memories of war are ready-dug. North of the DMZ we found the village of Vinh Moc, repeatedly destroyed by American bombs. To survive, the 2,500 villagers burrowed underground in a maze of tunnels, digging ever deeper to escape the bombs developed by the Americans to penetrate this type of defence.

The tunnels are in their original state, unlike those at Cu Chi that have been sanitised and enlarged for tourists. In sweltering humidity we crouched and crawled through tunnels that seemed to go on for miles, trying to imagine the narrow spaces being home to living communities for years on end - cooking, giving birth, and dying in tunnels 50 metres below ground.

After just an hour underground, muddled and hot, we spilled out of the tunnels for a blast of welcome air near a small village hall maintained as a museum. Inside, photographs of the area taken during the war show the remains of the village as a muddy field of battle, like a scene from the



One last cave: tour guides lead visitors to Marble Mountain, overlooking China Beach

Photographs by Jack Barker

first world war trenches.

Salvaged armaments and cooking implements are interspersed with smiling group shots of eastern bloc leaders during ceremonial visits to the famous defences. Almost a part of the exhibits was our retinue of 20 local children - barefoot, emaciated and scarcely clothed.

The guide translated their complaints that the village could not even get ice, and was dependent for food on the poisoned soil of the battle zone. There is little to show for heroic efforts in a forgotten war fast drifting into history.

No trip to central Vietnam would be complete without visiting Marble Mountain and China Beach, both near Danang.

Marble Mountain is one of five outcrops made, surprisingly enough, of marble - and riddled with natural caves. Lit by shafts of sunlight from above, ancient

Buddhist and Confucian shrines glow in a cloud of incense.

During the war, it was home to guerrillas who watched US troops relaxing on China Beach in between shooting down their aircraft. The Americans never realised where the anti-aircraft fire came from. It is now run by an infatigable tiny tour guide.

But being trailed by a government guide wasn't enough. I was adopted by a nine-year-old powerhouse called Nam, who behaved less like a guide than a young puppy hoping for rescue from a dog pound.

Clutching a bunch of joss-sticks in case I found religion, he bounded up the stairs and gave us a running commentary on our progress. "Half way up, only 122 steps more." Mystified, he watched as I stood and panted in the morning heat. "Now we go to his cave," he said. Perhaps worried I would lose enthusiasm, he stifled a laugh as I fought a battle of my own with a lightweight tripod. "One small cave, where Vietcong women shot down 18 American planes."

Suddenly, I realised he had a hidden motive for rushing me: turnover is a familiar concept in fast-developing Vietnam. "Last big cave, then no more: taxi!" Nam was clearing the decks for the next sweating tourist.

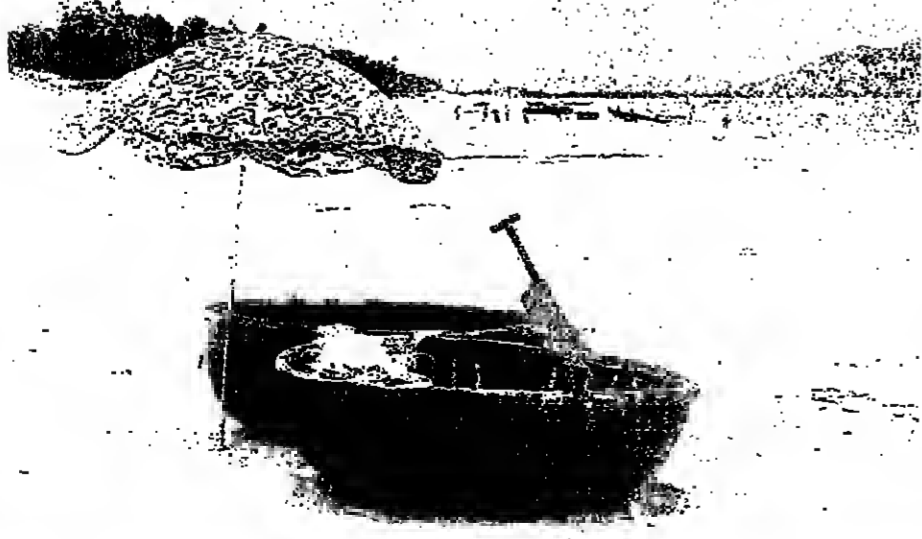
I was a bit mystified why I should want to go to China Beach, as I hadn't even heard of the American TV series that made it famous. But by this time I was tired of being guided, and a break drinking beer in the sun seemed a good idea.

I was the only westerner there. Since the crowds of Americans left, after R & R in full view of the guerrillas in Marble Mountain, China Beach has reverted to its traditional use: fishing. The gleaming white sands are dotted with coracle-like boats and broken by small armies of Vietnamese in conical hats pulling in long fishing nets.

The clear waters have missed any pollution during the last 20 years. The beer might be warm but the water is, too, and the beauty of the surroundings, in the heart of the sea-washed S-shape of Vietnam, makes it all worthwhile.

The fish make good eating, too. I looked back at Marble Mountain, hulking like a grave overlooking the beach. History in Vietnam is recent, and all the better for it.

Signs of war: the Citadel in Hue, pockmarked by bullet holes



R & R on China Beach: US troops tried to relax here during the war

## Update

**WALK IN THE WILD:** African Explorations has persuaded Richard Bonham, one of Africa's most experienced guides, to put together a special safari, including Tanzania's Selous game reserve - one of the least visited, wildest and largest in Africa - Mwagusi, a remote reserve in north Tanzania, and five nights by the Indian Ocean. The group will be no larger than eight, the dates are September 14-29 and the price is £3,450. Details from +44 01993-822443.

**FLOWER BOWER:** Cheltenham has been called the Garden Town of England. Take a two-night break with Cotswold Cottours (+44 01242-870452) and be guided round four gardens - choose from a wide range, including Westonbirt Arboretum, with one of the world's biggest collections, and Carney House, with a secret walled garden.

**FLANDERS FIELDS:** Get back to nature on family farm holidays with Belgian Travel Service (+44 01992-456156) at de Mey Farm in Flanders; from £107.50, including ferry or Le Shuttle.

**SCOT LOT:** Bonnie Prince Charlie stayed in Castle Stuart near Inverness (allegedly) and so can you: complete with four-poster beds, it's one of the many castles and mansions in the books of Scots Castle Holidays (+44 0131-448 9717). It has a sister company, Elegant Ireland, on the same number.

**INDONEASIER:** Travelscene clients in Amsterdam (+44 0181-427 8800) get a free guidebook to the city's best *rijsttafel*/Indonesian restaurants and "brown cafes" - the ones with the charming nicotine stains on walls and ceilings. For singles it recommends Special restaurant, which, unusually, does a *rijsttafel* - a kind of exotic mini-buffet - for one.

**FAIR LADIES:** Lancaster's annual Georgian Festival, on August 25, will recreate an 1804 provincial fair, complete with Cabinet of Curiosities, Captured Wildman and Pig-Faced Lady, and national sedan-chair carrying championships. Programme from the tourist centre, +44 01524-32878.

**CANVAS SUPPORT:** Considering camping in France, now that sterling is strong? Eurocamp (+44 01565-626262) has 114 sites. Among smaller operators, Canvas (+44 01383-644000) offers Freedom Passes from £129, which get you in cheaply to 50 sites. Sandpiper (+44 01932-888658) offers a granny-nanny discount - free holidays if they accompany families with fewer than four children.

**US WAY:** How to find out about the US now that the London tourist office has been closed? Essentially America magazine offers a free 60-page travel planning booklet with contact numbers, airline details, theme park phone prices, and plenty more. Free on +44 01891-800580.

**SAFETY DRIVE:** As 30 per cent of motorway accidents are due to tiredness or stress, many of France's autoroutes have a summer programme in which rest stops offer free massage, and sight and reflex tests for drivers - along with art exhibitions, archery classes, bouncy castles, tyre checks. Shame to get back on the road, really.

**PERSIAN PLACES:** Explore seldom-visited Iran with Jasmijn Tours: 16-day trips visit Tehran, the ancient sites of Bishapur, the beautiful blue-domed city of Isfahan, and much else. Headscarves provided for tourists. Details on +44 0181-675 8806.

John Westbrooke

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TRAVEL

# A whiff of diesel on the spice island

Sarah Murray takes the road to Zanzibar and finds it anything but comic

It is not quite how Dorothy Lamour, Bob Hope and Bing Crosby found it in the classic 1941 *Road to Zanzibar* movie. To those for whom even the name is surrounded by the perfume of cloves and images of Arab traders, Zanzibar today appears a little sad and shabby.

The pungent smells of spices that once permeated the narrow streets of the old Stone Town are being wiped out by the heavy diesel fumes emitted by a growing army of motor cycles and mini buses. An exotic-sounding "spice tour" of the island

turns out to be an uneventful trip in a stuffy minibus to a soggy government plantation, and in some ways the place seems to be merely another poor outpost of Africa struggling to regain its position in the world.

But it is not as simple as that. While the phrase "all is not what it seems" may be a little tired, in Zanzibar it rings true. A cocktail of influences shaped Africa's spice island and not all the ingredients appear in the guide book. Freddy Mercury, singer of rock band Queen, spent his childhood here, the son of Indian citizens who

came to work in the government offices of what was then a British colony.

Emerson Skeens, an American living in Zanzibar and running a hotel - with an amazing rooftop restaurant - reveals that the island was recently one of the more remote places to welcome a group of Bosnian refugees.

Evidence of many of the foreign feet to have trodden this ground can be found in the dimly lit shop of studio photographer R.T. Oza, where fading black and white photographs taken by his father crowd the damp walls. African presidents and diplomats appear by the dozen alongside pictures of Queen Elizabeth - accompanied by a teenage Prince Charles - and a snap of Marshal Josef Tito, the Yugoslav strongman, setting foot on the runway of Zanzibar's tiny airport.

Heady days in Zanzibar: all is not what it seems in this outpost of Africa, with its cocktail of influences

The island was at its most cosmopolitan under Arab rule. In *Memoirs of an Arabian Princess*, Emily Ruess, who exchanged her palace existence for life in Hamburg when she married a German trader, describes the luxurious world ruled by her father, Seyyid Said, Sultan of Zanzibar and Oman.

"In our gallery at Beit il Sahel a painter would have found many subjects for his brush," she writes. "Eight to 10 shades of colour could be found in the faces of the multitude fluctuating up and down... the babel of languages in this society was particularly diverting... Persian, Turkish, Circassian, Swahili, Nubian and Abyssinian were heard promiscuously next to Arabic."

Arab days ended when they were turned out in the bloody revolution of 1964,

although, according to the Omani consul, himself Zanzibar-born, about 2,000 still live on the island.

But the most powerful evidence of Zanzibar's rich international heritage is its architecture. This is not always exotic or beautiful. A hideous housing block near the Stone Town - a standing joke among locals - was the result of a friendship forged between former East German and Tanzania during the socialist years of the Nyerere government.

The splendid Omani and Indian mansion houses of the 19th century with their great carved wooden doors, balconies and lattice screens are remnants of the heady days when Zanzibar was a hub of international trade and thousands of slaves were bought and sold every year at its market.

After the Omani Sultan's permanent move to the island in 1832, the town evolved into ranks of elaborate palaces and residences.

Tradesmen from the Indian sub-continent built up the hazzars and sea-faring merchants built houses and warehouses along the waterfront.

Here, near the quay from which, on sun-bathed evenings, young boys plunge into the waters of the bay with whoops and shrieks, is a structure long seen as a symbol of the cosmopolitan outlook of 19th century Zanzibar - the Old Dispensary.

Reopened this spring after extensive restoration by the Aga Khan Trust for Culture - almost 100 years after its foundation stone was laid to commemorate the 50th anniversary of Queen Victoria's reign - the Old Dispensary was planned as a hospital.

Yet, with its ornate carving (the most lavish of any building in Zanzibar) and splendid interior, the magnificent structure seems too grand for such a purpose.

Tharfa Topan, the powerful Indian trader behind the building, did not live to see

his scheme in bricks and mortar. His nephew, armed with designs from Bombay firm Costing and Morris, continued the project, which was eventually completed through the initiative of Sir Gerald Portal, the British consul.

The Old Dispensary is a melting pot for all that is Zanzibari - from the Indian motifs of the exquisite timber carving to the European plasterwork of the interior and its grandiose architectural references to European palaces. Bridges across the inner courtyard echo the Islamic covered walkways that allowed women to pass between houses without being observed.

The process of restoration revealed how much of the rest of the world went into the structure of the building. Many of the doors and windows had been imported from India while tiles from

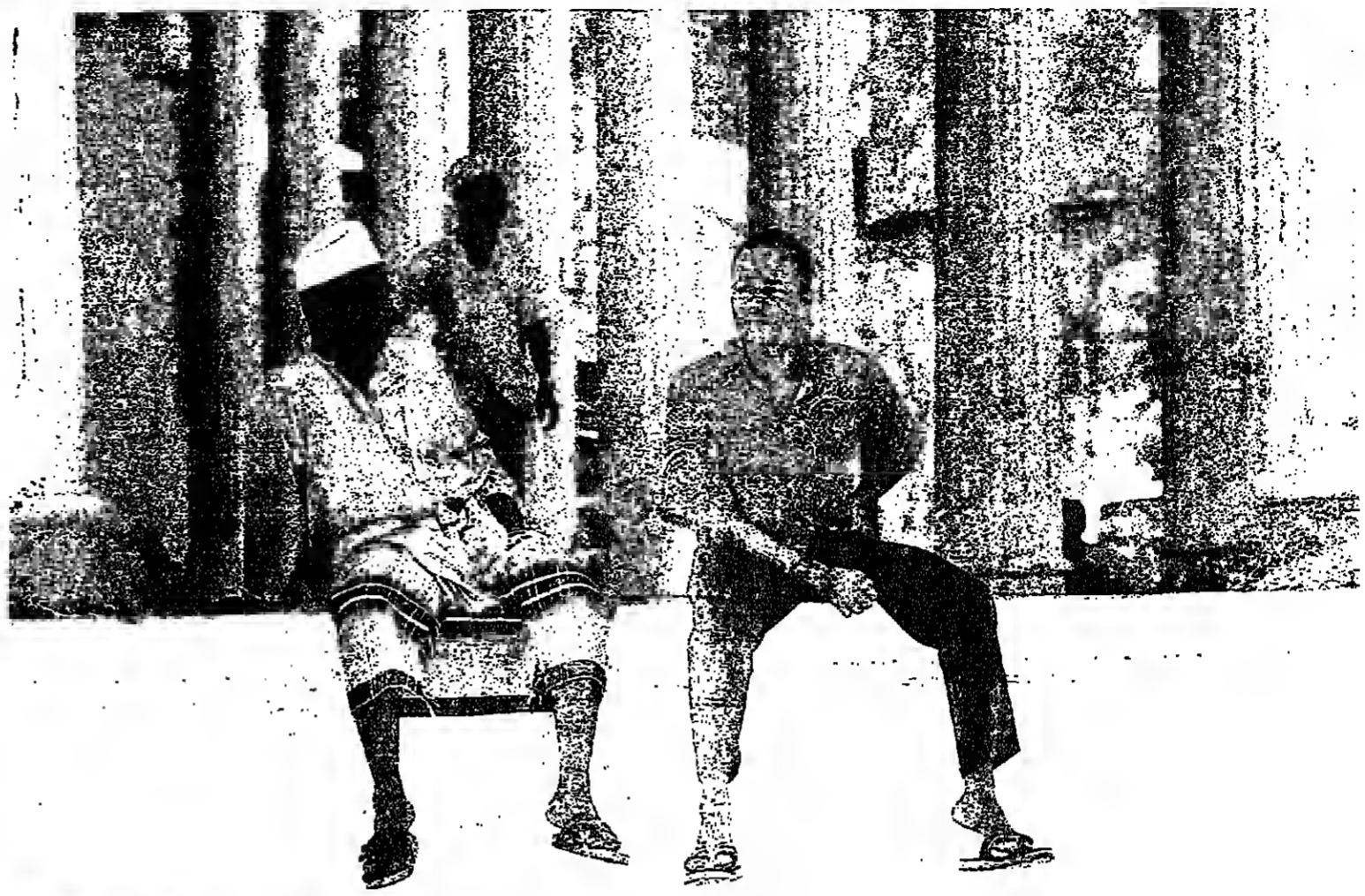
France were found on the roof.

Some of the building materials reflect the trading activities of Topan himself. Bricks from Glasgow found in the walls were probably used as ballast for return ships on their return home and recycled in the construction of the hospital. "It's very Zanzibari, this kind of hybrid," says Stephen Battle, site architect for the restoration project. "I've seen these Glaswegian bricks all over the town."

A sultry heat hangs heavily over this part of the Tanzanian coast, but fortunately the builders of Zanzibar knew a thing or two about airflow. There is extensive use of louvred shutters and balconies.

But restoring the building was no easy task. Rising damp had severely eroded plaster and a balcony that tilted at an alarming angle was just one of the problems to be tackled.

The restoration has given



Photograph by Sarah Murray



The Old Dispensary, a cosmopolitan symbol of another age which has been restored by the Aga Khan Trust for Culture

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## SPORT

## Athletics

# Athens' search for famous names pays off

Prize money and record bonuses have attracted entrants to the World Championships. Pat Butcher reports

Michael Johnson's ego doubtless needed a good massage after his alarming setbacks recently. First, there was the crushing experience of injury in the much-hyped match race against Donovan Bailey in Toronto in early June. Then, after missing the US Trials, he suffered his first 400 metres defeat in eight years in Paris. So the 11th hour introduction of wild cards, allowing Johnson to compete in the World Championships, which begin in Athens today, will be doubly welcome.

Coupled with the manipulation of the timetable in Atlanta last year, to afford him the opportunity for his unprecedented Olympic double, Johnson probably thinks that all he needs to do in

**Johnson probably thinks that all he needs to do is turn up, and he'll be awarded a medal**

future is turn up, and he'll be awarded a medal.

Nevertheless, there is compound satisfaction for IAAF boss, Primo Nebiolo. He gets the "name" that his US television sponsors demand, and, given that Johnson and his management were foremost in threatening withdrawal from Stuttgart four years ago, unless incentives were forthcoming, old "golden shoes" needs this exposure so much, he would have turned up for nothing. Such are the vagaries of athletics politics. But the move has an element of desperation to it.

Athletics' problems have been widely documented elsewhere - drugs, bad management, too many disciplines, etc. And there are

only so many ways to combat them. In addition to wild cards, there is official prize money for medalists for the first time: \$60,000, \$30,000, \$20,000. Record world bonuses of \$100,000 are being introduced in an attempt to prevent a repeat of the Gothenburg championships two years ago, when Moses Kiptanui admitted that he slowed down rather than break the steeplechase mark so that he could make another bonus-rewarded attempt the following week at the Zurich Grand Prix.

And then there is the track surface. Following the world record sprint and jump performances at the Tokyo World Championships in 1991, it was admitted that the track did not conform to specifications. It was too hard. But that didn't stop the organisers in Atlanta last year, and now in Athens, laying a similar type of track.

It might suit the sprinters and jumpers, but certainly not the distance runners. After getting such badly blistered feet in winning the Atlanta 10,000 metres that he was unable to contest the 5,000, Halle Gehrselesse, world record holder for both distances, initially refused to compete in Athens.

The Ethiopian changed his mind last weekend, and it would be interesting to know just what efforts were made to conscript him. There was a report of threats by his federation, but it's doubtful that another Mercedes was dangled in front of him. He already has two, from wins in Stuttgart and Gothenburg, and he still can't drive.

But there is an infinitely more serious side to this debate about "names", which has as yet gone unpublished.

There is considerable disquiet among meeting organisers, sponsors and TV, over the number of "unknown" Africans flooding the Grand Prix and other tracks of Europe. Officials such as those behind the US road race circuit, which only pays 50 per cent prize money to

foreigners (mostly Africans), perceive their excellence in the middle and long distances as a problem. For example, only one of the top 14 steeplechase performers this year is not by a Kenyan, and, apart from Kiptanui, few can tell who the others are.

Kiptanui himself offers the apology: "Many of the Africans are not well-educated, and can't express them-

selves. Often, if they win a race, they don't even know what to do next. But this has been going on for some time, and it's beginning to sound racist. Nobody says anything about the many American sprinters, and in the 1990s, it was Britain which dominated the middle distances. Everyone has the same opportunities."

Gehrselesse has made a concerted attempt to learn

English, so that he may better communicate, and his manager invited half a dozen sports journalists to Addis Ababa last year to get to know him.

One of the great beauties of this sport is its universality. It is a broad church - athletes from 200 nations are competing in Athens - which is constantly renewing itself.

Let Carl Lewis and Linford

Christie retire, let Sergei Bubka have a year off. And so what if Michael Johnson doesn't win the 400 metres? The US has 10 other world champions to call on, many more than any other country in Athens. There are other electrifying performers: Wilson Kipketer, Hicham El Guerrouj, Ana Quirot, Donovan Bailey, Svetlana Masterkova, et al. Let's hear more about them from the IAAF.



Moses Kiptanui bonuses have been introduced in an attempt to avoid repetition of his intentional slowing down

## Racing

# A victory for the oldsters

Five-year-olds are good news, says Michael Thompson-Noel

Suppose you were a billionaire who had wanted to grab a few headlines by buying, on the spot, the entire line-up - eight racehorses - in last Saturday's 1½-mile King George VI and Queen Elizabeth Diamond Stakes at Ascot racecourse.

How much would you have forked out? It is impossible to give a precise answer. The valuations attached to top-flight racehorses while they are still in training are usually guarded secretively.

But had you bought all eight King George runners last Saturday morning, you would have had little change from \$100m.

This is because seldom, if ever, has such a distinguished line-up of middle-distance champions been seen in Europe - or anywhere else.

The reason so many superlatives were draped round the necks of last Saturday's runners is that this year, Ascot's big Diamond race, sponsored by De Beers, attracted a star-studded cast of mainly older horses.

Only one three-year-old was in the line-up. Of the other seven, three were four-year-olds, including the mighty Hellisio, who is French-trained and Spanish-owned, and Shantou, trained at Newmarket and owned by Dubai's crown prince, Sheikh Mohammed bin Rashid al-Maktoum.

In addition, there were three world-class five-year-olds, Swain and Singpiel, both owned by the Maktoum family, and Pilsudski, owned by Britain's Lord Westminster. Finally, there was a six-year-old, Strategic Choice.

The eight runners had won a combined \$24.3m in prize money before last Saturday's race, which itself offered a first prize of \$294,600.

Top trainers say racehorses are at their physical peak at five years of age.

Michael Stoute, the trainer of Singpiel and Pilsudski, said recently that a racehorse that can still cope with the physical stresses of training and racing at five years of age, without losing the plot mentally, must be a very tough customer indeed.

Those were prophetic words, because racegoers who backed the five-year-olds at Ascot were lavishly rewarded by the

odds-makers.

One of the five-year-olds, Swain, won the race at 16-1, a length clear of another five-year-old, Pilsudski, who started at 6-1.

The Tote dual forecast (name the first two, in either order) paid a bountiful \$45.10 for a \$1 stake. The four-year-old Hellisio was third, 1¼ lengths behind Pilsudski, at cramped odds of 11-10. In fourth place was the other five-year-old, Singpiel.

Sheikh Mohammed and other experts say there are several reasons why rich owners are leaving top-flight, middle-distance horses in training at the end of their three-year-old careers.

The reasons include faster jet travel and the allied emergence of an established circuit of

**Experts detest the thought of insufficiently tested three-year-olds being hustled off to stud**

lucrative 1¼ and 1½-mile races for all ages in Europe, the US, Japan, Australasia and Dubai.

In the past, the premature removal of star racehorses from the track at the end of their second racing season was caused by economic pressures associated with the high prices for which champions are syndicated as stallions, and was equally unpopular with racegoers and bloodstock experts.

Racegoers like the cut-and-thrust of all-age, all-star racing, while bloodstock experts detest the thought of insufficiently well-tested three-year-olds being hustled off to stud prematurely at inflated prices.

Hellisio was only third last Saturday, but is still thought to be worth close to \$24m, while Swain, Pilsudski and Singpiel ought to be worth \$18m to \$22m apiece.

Before they retire, members of this quartet are likely to clash again - perhaps more than once. If it continues, the march of the four, five and even six-year-olds could prove the best news for racing in a long time.

## American Sport

# Money makes the pitch go around

Now's the season for buying and selling players, says Jurek Martin



Mark McGwire: a prolific hitter when uninjured

Whenever the American sports season hits a lull - as it has now - one subject is always sure to raise its head. It is, of course, money, not merely the root of all evil but also, sometimes, the source of championships and titles and later careers in politics, the movies and even San Quentin prison.

It is most obviously on baseball's mind, though it cuts across all sports. The day before yesterday was the deadline for contending teams to make the sort of trades for veteran bats and proven arms that could put them in the post-season play-offs, perhaps the World Series.

It is no secret who the prime available players are: Mark McGwire of the Oakland Athletics, the most prolific modern home run hitter when uninjured, Curt Schilling, a fine pitcher with the terrible Philadelphia Phillies, Ivan "Punch" Rodriguez of the Texas Rangers, probably the best catcher around, and Dante Bichette and Andres Galaraga, a pair of potent sluggers from the Colorado Rockies.

All play for sides going nowhere this season and each could, therefore, command hefty prices, mostly by unloading large salaries in exchange for other good players in a trade. It is not a fool-proof process. Stars such as David Cone, now pitching for the Yankees, and Fred McGriff, the

Atlanta first baseman, made instant impact for their new teams when acquired in mid-season, but some of the unsung players included in the deals turned up serious trumps later - Brady Anderson of the Orioles, Jay Buhner of Seattle and John Smoltz of Atlanta.

It is even more complicated this year because in November players will be chosen for the two new sides being formed in Arizona and Florida - the Arizona Diamondbacks and the Tampa Bay Tarpons. Each current team will only be able to protect 15 players on its current roster. Some will be sorely tempted to make a pre-emptive sale of top players now, especially those a little long in the tooth or, like McGwire and Rodriguez, due in any case to become off-season free agents able to sell themselves to the highest bidder.

But baseball, two-thirds of the way through its year, is not alone on the money wheel. Ten days ago the Chicago Bulls basketball team signed up Phil Jackson for another year as coach - at a cool \$8m, easily the largest contract ever awarded to someone who no longer personally puts the ball in the basket. That should guarantee a return to the Chicago court of Michael Jordan and Scottie Pippen, who had threatened to take their incomparable skills elsewhere if Jackson were not re-engaged. It also makes their joint

quest for a sixth NBA title this decade the leitmotif of the next basketball season.

Even ice hockey, the ultimate winter sport, is having its mid-season speculative fling. This week, Mark Messier, on the downside of his 30s but still the best sidekick the great one (Wayne Gretzky) ever had, announced he was forsaking the New York Rangers for the Vancouver Canucks for about \$20m.

**Some will be tempted to make a pre-emptive sale of top players who are long in the tooth**

over the next three years. It is getting empty in New York now that Hideki Irabu, the Japanese pitching phenomenon, has been dispatched to the minor leagues to recover his form.

Though Pittsburgh and Chicago were in Dublin last weekend for a pre-season game, American football does not properly start until next month. But the word out of most training camps is of

deals done and not yet done. Indeed two-thirds of the National Football League's team will have either new coaches or quarterbacks or both, which perhaps explains why training camps are as long as they are these days.

Some players have quickly capitalised on new-found fame. Desmond Howard, the most valuable player for his Green Bay Packers in last January's Super Bowl, will now be running back kicks in the sinister silver-and-black of the Oakland Raiders, with a \$6m plus contract inside his helmet, not bad for someone considered washed up this time last year.

He may also catch a few passes from the itinerant Jeff George, the quarterback who never seems to stay in one place for long. George has replaced Jeff Hostetler, whose regular trans-continental shuttle has landed him with the Washington Redskins as back-up to Gus Frerotte.

It was Frerotte who made nonsense of money by proving a far better quarterback than Heath Shuler. Drafted out of college in the same year, Shuler was the Redskins' number one choice and earned a \$19m multi-year contract, while Frerotte, a seventh round pick, was offered the minimum wage for a football player, that is. Now Shuler has been shipped to New Orleans, for re-education under the volcanic coach Mike Ditka, but poor Frerotte has still not managed to cash

in. He thought his good year last season had put him in line for serious money, but had to settle for a mere \$1m, guaranteed for only one year and with Hostetler, a good player, looking over his shoulder.

But the real problem for the Redskins, whose defence proved fatally porous last year, remains the story of financial deals undone - specifically with Sean Gihert, the veteran line-man, though Kenard Lang, the defensive end and top draft choice, finally signed up this week. (There is uncertainty of a different kind hanging over the head of the capital's team, which will now be playing in the Maryland suburbs, it involves the complex will of its late owner, Jack Kent Cooke, and the flame-haired South American temptress who may, or may not, have been his wife when he died; but that is definitely another story.)

Still, there is one thing to be said for the fixation on money. It does fill the gap before the US PGA championship and the Ryder Cup in golf, before Sampras and Hingis claim their US tennis crowns, before the football season starts and baseball reaches its stretch run. And it is singularly appropriate since the prime August sports attraction offered by one US TV network is a re-run of the last Tyson-Holyfield fight. Both fit the same bill - "ear today, gone tomorrow".

## INTERNATIONAL ARTS GUIDE

What's on  
around the  
world

## AMSTERDAM

**EXHIBITION**  
Van Gogh Museum  
Tel: 31-20-570 5200  
Second of four summer exhibitions of drawings by Van Gogh. This time it is the turn of the works produced when the artist lived in Nuenen, 1883-1885. The exhibition is shown in two parts, with a changeover on Aug 18; to Oct 12.

## BASLE

**EXHIBITIONS**  
Öffentliche Kunstsammlung Basel  
Tel: 41-61-271 0828  
● Dürer/Holbein/Grünwald: major celebration of the quinqucentenary of Hans Holbein the Younger (ca. 1497/98-1543). Organised with the Staatliche Museen, Berlin, the exhibition consists of 170 old master drawings; to Aug 24  
● The Prints of Hans Holbein the Younger; to Sep 7

## BONN

**EXHIBITION**  
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland  
Tel: 49-228-917 1235  
Sigmar Polke: subtitled "The Three Lies of Painting" this show includes some 180 loans documenting Polke's work from 1962 to the present, and will transfer to Berlin's Hamburger station for that building's opening; to Oct 12

## BRECON

**JAZZ**  
Brecon Jazz Tel: 44-1874-625557  
The best thing about this three-day event is its Welsh market town setting. On Friday the Benny Green Trio plays Christ College, on Saturday New Orleans trumpeter Nicholas Payton and his Gumbo Nouveau Quintet can be seen at the same venue. On Sunday the Carnegie Hall Jazz Band, led by Jon Faddie, is at the Market Hall. Courtney Pine, Django Bates and Jools Holland are among the other attractions; Aug 8-10

## DROTTNINGHOLM

**OPERA**  
Drottningholms Slottsteater  
Tel: 46-8-4570300  
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the designer Robin Lindaker and the choreographer Lucy Graham; Aug 2, 5, 7

## EDINBURGH

**EXHIBITIONS**  
National Gallery of Scotland  
Tel: 44-131-624 6200  
The Portrait of a Lady: Sargent and Lady Agnew. "Lady Agnew of Lochnaw" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself - including Ellen Terry and Ethel Smyth - as well as works by his contemporaries and memorabilia from his studio. The exhibition also presents something of Lady Agnew herself including pictures and photographs of her family; Aug 8 to Oct 19

**ROYAL SCOTTISH ACADEMY**  
Tel: 44-171-624 6200  
Sir Henry Raeburn (1756-1823): major exhibition of around 70 works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world. The exhibition will travel to London; to Oct 5

**SCOTTISH NATIONAL GALLERY OF MODERN ART**  
Tel: 44-131-624 6200  
Matthew Dzelic and Louise Scullion: Endless - first showing for video installation created by the young Scottish artists on Scotland's north-east coast; to Sep 14

## FORT WORTH

**EXHIBITION**  
Kimbell Art Museum  
Tel: 1-817-3328451  
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous. One swims in blue air. It is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Riviera in the 1880s, to Venice in 1908; to Sep 14

## GLASGOW

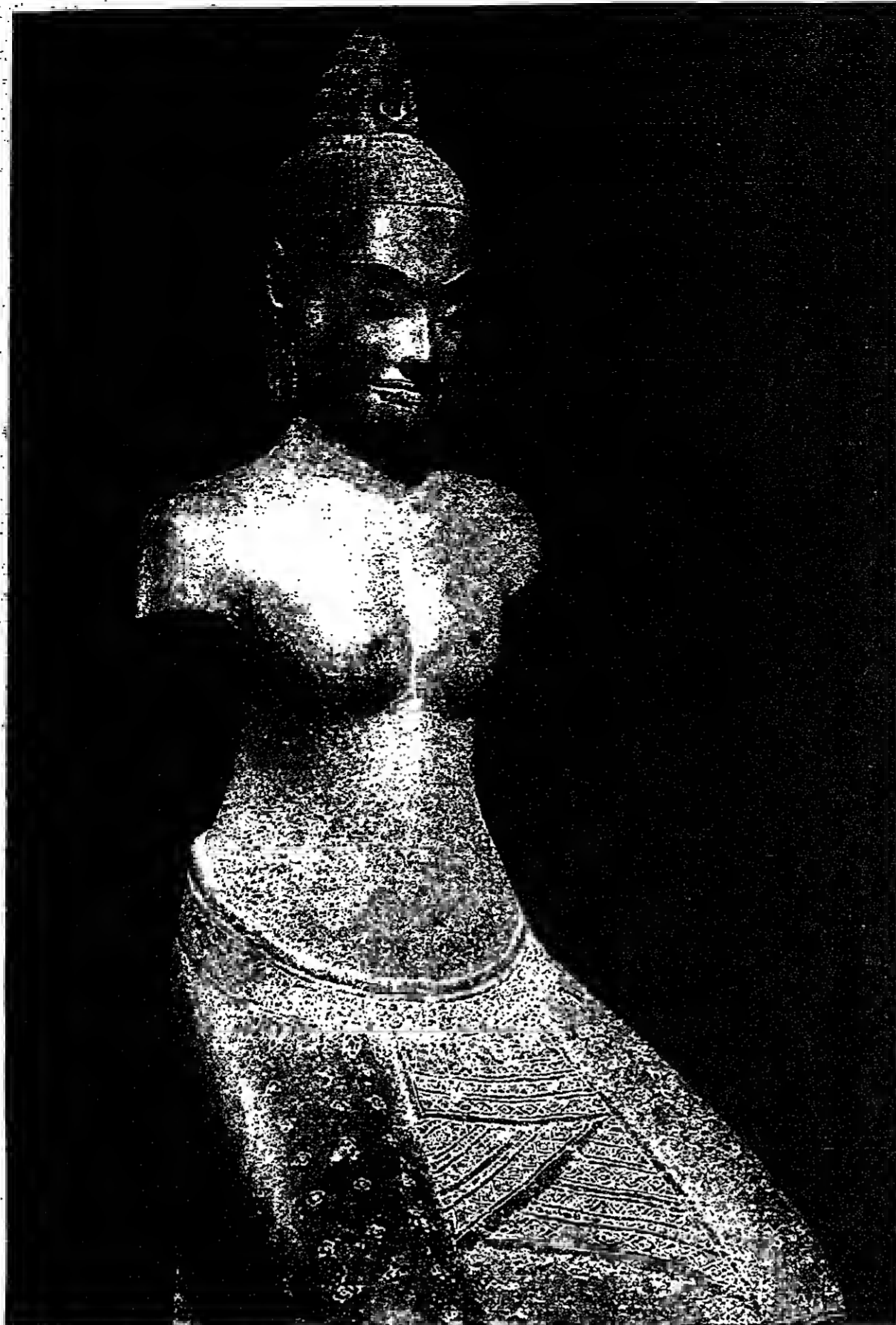
**EXHIBITION**  
McLeish Galleries  
Tel: 44-141-331 1854  
The Birth of Impressionism: more than 150 works including paintings by Monet, Sisley and Pissarro. The six galleries tell the story of Impressionism's reception by the French artistic establishment as well as suggesting the influence of photography, railways and Parisian cafe society on the new painting; to Sep 7

## KASSEL

**EXHIBITIONS**  
Various venues  
Documenta: giant five-yearly survey of contemporary art which takes place all over Kassel. Starting at the old railway station, this tenth edition has been selected by French curator Catherine David; to Sep 28

## LAUSANNE

**EXHIBITIONS**  
Fondation de l'Hermitage



Tara (?), Kneeling', Angkor period, late 12th-early 13th century, on display at Washington's National Gallery of Art

Tel: 41-21-320-5001  
Charles Camoin (1879-1965): retrospective which aims to demonstrate Camoin's contribution to Fauvism at the turn of the century and to show the development of his later work, including the influence of Cézanne; to Oct 5

**Musée Cantonal des Beaux-Arts**  
Tel: 41-21-312 8332  
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists, who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam. The exhibition will travel to Munich and Vienna; to Sep 14

## LONDON

**CONCERTS**  
BBC Proms, Royal Albert Hall  
Tel: 44-171-589 8212  
● BBC Scottish Symphony Orchestra: conducted by Martyn Brabbins in works by Bartók, Strauss and Mahler. With soprano Inger Dam-Jensen; Aug 7  
● BBC Symphony Orchestra and Singers conducted by Leonard Slatkin in works by Mahler, and world premiere of Roger Reynolds' *The Red Act Arise*; Aug 4  
● Bournemouth Symphony Orchestra: conducted by Yakov Kreizberg in works by Mozart, Korngold, Markovitch and Stravinsky. With violin soloist Gil Shaham; Aug 5  
● Georgian Folk Songs: performed by the all-male Rustavi Choir, conducted by Anzor Erkomaishvili; Aug 8  
● Jiri Belohlávek conducts the BBC Symphony Orchestra in works by Bartók, Luciano Berio, Schubert and Dvořák. With mezzo-soprano Michelle DeYoung; Aug 8  
● Royal Scottish National Orchestra: performs works by Glinka, Prokofiev, Tchaikovsky, and the UK premiere of Glyndwr Sinfonia's *Symphony No. 3*. With violinist Tasmin Little and counter-tenor David James. Conducted by Alexander Lazarev; Aug 3  
● The Mecklenburgh Opera company: performs *Mahagonny-Songspiel* and *The Seven Deadly Sins* by Kurt Weill. The programme is completed by a selection of German cabaret songs; Aug 3  
● Trevor Pinnock conducts the English Concert and Choir in works by Bach; Aug 6

**DANCE**  
London Coliseum  
Tel: 44-171-632 8300  
● The Kirov Ballet: Fokine Programme 1. The first of two programmes staged by Isabelle Fokine, the choreographer's granddaughter, consists of *The Firebird*, set to Stravinsky's score, *Le Spectre de la rose*, *The Dying Swan*, and the Polovian Dances from *Prince Igor*; Aug 2  
● Fokine Programme 2: *Les Sylphides*, *Schéherazade* and *The Firebird*, seen here together in 1995, provide the finale to the month-long season; Aug 7, 8  
● Romeo and Juliet: presented in the original version by Leonid Lavrovsky, set to Prokofiev's score; Aug 4, 5, 6

**EXHIBITIONS**  
British Museum Tel: 44-171-636 1555

Arts of Korea: overview of Korean art and archaeology ranging from the Neolithic period to the 19th century. Exhibits include a royal gold crown from the Silla kingdom, early Buddhist manuscripts, Koryŏ ceramics and 18th century landscapes. The exhibition is scheduled to run until 2000, when it will be replaced by a new, permanent Korean Gallery

**Hayward Gallery Tel: 44-171-2610127**  
● Rhapsoodies in Black: Art of the Harlem Renaissance. For African American artists working in New York, the 1920s were something of a golden age. Harlem its dynamic centre. This multi-media presentation celebrates this decade of extraordinary creativity; to Aug 17  
● Tatsuo Miyajima: Big Time - comprising six installations by the young Japanese artist renowned for his use of electronic digital counters (LEDs); to Aug 17

**National Gallery Tel: 44-171-839 3321**  
● Cranach: A Closer Look. The Gallery's eight paintings by Lucas Cranach the Elder (1472-1553) are joined by three on loan from Copenhagen; to Sep 7  
● Seurat and The Bathers: places Seurat's great "Bathers at Asnières" in a context provided by his own earlier work, and studies and drawings for the painting, as well as works by predecessors who influenced him, and by his Impressionist contemporaries; to Sep 28

**Royal Academy of Arts Tel: 44-171-439 7438**  
Hiroshige: Images of Mist, Rain, Moon and Snow - celebration of the bicentenary of Hiroshige (1797-1858). Japanese master of the coloured woodcut, whose landscapes provide an atmospheric picture of 19th century Japan; to Sep 28

**Tate Gallery Tel: 44-171-887 8000**  
Mondrian: Nature to Abstraction. A series of drawings and paintings of trees and the sea, executed in Paris before 1914, forms the core of this exhibition of works loaned by the Gemeentemuseum in the Hague. The 60 works selected trace the artist's development towards the mature abstraction of his famous grid paintings; to Nov 30

**THEATRE**  
Aldwych Tel: 44-171-416 6003  
Life Support: Alan Bates stars in a new comedy by Simon Gray, directed by Harold Pinter; to Aug 5

**National Theatre**  
Tel: 44-171-928 2252  
● Closer: new play written and directed by Patrick Marber, with a cast including Ciaran Hinds; Cottesloe Theatre; in repertory  
● King Lear: by Shakespeare. Highly praised production directed by Richard Eyre, with Ian Holm in the title role; Cottesloe Theatre; in repertory  
● Amy's View: Judi Dench and Samantha Bond star as mother and daughter in a new play by David Hare directed by Richard Eyre; Lyttelton Theatre; in repertory  
● The Cripple of Inishmaan: new play by Martin McDonagh directed by

Nicholas Hytner; Lyttelton Theatre; in repertory

**Shakespeare's Globe**  
Tel: 44-171-401 9919  
● Henry V: by Shakespeare - Mark Rylance stars as the young king in a production directed by Richard Olivier and designed by Jenny Tiramani; in repertory  
● The Winter's Tale: by Shakespeare - directed by David Freeman; in repertory

**The Old Vic Tel: 44-171-928 6555**  
● The Provok'd Wife: Lindsay Posner directs Alison Steadman and Michael Pennington in Vanbrugh's comic take on sexual politics in Restoration England; in repertory  
● The Seagull: by Anton Chekhov, in a version by Tom Stoppard directed by Peter Hall. Felicity Kendal is Madame Arkadina, Dominic West her unhappy son, Michael Pennington her lover; in repertory  
● Waiting for Godot: by Samuel Beckett. Peter Hall directs Ben Kingsley and Alan Howard as Estragon and Vladimir; in repertory

## LOS ANGELES

**EXHIBITIONS**  
Museum of Contemporary Art  
Tel: 1-213-6268222  
● Jeff Wall: retrospective exhibition of the Canadian artist whose photographic work draws on the narrative traditions of tableau painting; to Oct 5  
● Joseph Cornell: Connections to the Permanent Collection. Installation of a selection of works which were part of a gift received by MOCA last year; to Sep 14  
● My Life. Mark Morrisroe: Polaroids 1977-1989; to Sep 14

## MONTREAL

**EXHIBITION**  
Museum of Fine Arts  
Tel: 1-514-285 1600  
Exiles and Emigrés: The Flight of European Artists from Hitler. Focusing on the twelve years of Nazi rule 1933-45, this show - previously seen in California - explores the work of 23 artists during their years in exile, their continuing relationships with European societies and their impact on the United States; to Sep 7

## MUNICH

**EXHIBITIONS**  
Kunsthalle der Hypo-Kulturstiftung  
Tel: 49-89-224412  
Markus Lüpertz (b. 1941), one of Germany's leading artists, is the subject of a retrospective which includes paintings, drawings and sculptures from throughout his career; to Sep 14

## NEW YORK

**EXHIBITIONS**  
Museum of Modern Art  
Tel: 1-212-708 8490  
● Objects of Desire: The Modern Still Life. Beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition

traces the art of this century through the various and evolving representations of objects; to Aug 26  
● This retrospective of the Stenberg brothers promises to be MOMA's largest graphic design retrospective to date. Bright young things of the Russian avant-garde, Vladimir later became Chief of Design for Red Square, while Georgii died in 1933. Pioneers of advertising, the brothers are best known for the arresting posters they designed for Soviet cinema in the 1920s; to Sep 2

## THEATRE

**Belasco, 111 W. 44th St.**  
Tel: 1-212-239 6200  
A Doll's House: Janet McTeer's much admired Nora plays opposite Owen Teale's Torvald in this sexually charged rendition of Ibsen's play, first seen in London and directed by Anthony Page

**Lucille Lortel, 121 Christopher St.**  
Tel: 1-212-239 6200  
As Bees in Honey Drown: by Douglas Carter Beane. Directed by Mark Brokaw. Cast includes T. Scott Cunningham and J. Smith-Cameron

**Minetta Lane Theatre**  
Tel: 1-212-420 8000  
Gross Indecency: The Three Trials of Oscar Wilde. Written and directed by Moises Kaufman, based on transcripts, letters and other writings. Michael Emerson plays Wilde

## OTTAWA

**EXHIBITION**  
National Gallery of Canada  
Tel: 1-613-990 1985  
Renoir Portraits: featuring works from throughout his career, this exhibition includes some of Renoir's most famous paintings. The show will travel to Chicago and Texas; to Sep 14

## PARIS

**EXHIBITIONS**  
Jeu de Peume Tel: 33-1-4703 1250  
César: major retrospective of one of the most important French sculptors of the 20th century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects; to Oct 19

**Musée National d'Art Moderne, Centre Georges Pompidou**  
Tel: 33-1-4478 1233  
Fernand Léger: retrospective of the early modernist, who emerged from the Cubist revolution around 1910 to move towards abstraction. His experiences in the war and socialist principles led him back to figurative painting. The exhibition will travel to Madrid and New York; to Sep 29

## PESARO

**CONCERT**  
Rossini Opera Festival  
Tel: 39-727-33184  
Latvian Philharmonic Chamber Orchestra: in works by Mozart, Rossini and Tchaikovsky; with piano soloist Massimo Lambertini; Aug 8

## SALZBURG

**Salzburg Festival**  
Tel: 43-662-844501  
CONCERTS  
● Ensemble Modern: conducted by Hans Zender in a programme including works by Esai; at the Mozarteum; Aug 6  
● Klangforum Wien: conducted by Johannes Kalitzke in a programme including works by Esai; at the Mozarteum; Aug 7  
● Philharmonia Orchestra: conducted by Bernard Haitink in works by Mahler; at the Grosses Festspielhaus; Aug 3, 4

**OPERA**  
● Boris Godunov: by Mossorgski. Conducted by Valérie Gergiev in a staging by Herbert Wernicke. Samuel Remy sings the title role. Cast also includes Philip Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 3  
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minikowski and directed by Françoise Abou Salem with designs by Françoise Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 4, 6  
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitschule; Aug 2, 6, 8  
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 5  
● Lucio Silla: by Mozart. Conducted by Sylvain Cambreling and directed by Peter Mussbach with designs by Robert Longo. Cast includes David Kuebler and Susan Graham. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 7  
● Pelléas et Mélisande: by Debussy. New production conducted by Sylvain Cambreling and directed by Robert Wilson, with a cast including Dawn Upshaw. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 2

**THEATRE**  
● Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller, at the Landestheater; Aug 2, 3, 7  
● Jedermann: by Hugo von

Hofmannsthal. Revival of Gernot Friedel's production, designed by Imre Vincze; at the Oompelz; Aug 4  
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Aug 2, 3, 5, 8, 7

## SANTA FE

**OPERA**  
Santa Fe Opera Tel: 1-505-986 5800  
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 6  
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Aug 8  
● Così Fan Tutti: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengli; Aug 2, 5  
● La Traviata: Linde Brovsky directs this new production of Verdi's opera, set in the Parisian demi-monde. Christopher Larkin conducts; Aug 4  
● Semela: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Aug 7

## SCHLESWIG-HOLSTEIN

**CONCERTS**  
Music Festival Tel: 49-431-567080  
● Philharmonie der Nationen: conducted by Justus Frantz in works by Rossini, Mendelssohn, Respighi and Verdi; at the Rinderstall, Haseldorf on Aug 5; at the Schloss, Kiel on Aug 6; at the Musik- und Kongresshalle, Lübeck on Aug 7  
● Taverner Consort & Players: conducted by Andrew Parrott in a programme including works by Bach; at St. Marien-Kirche, Lübeck on Aug 4 and at St. Michaelis Kirche, Hamburg on Aug 5

## TANGLEWOOD

**CONCERTS**  
Tanglewood Festival  
Tel: 1-617-931 2000  
● Boston Symphony Orchestra: conducted by Richard Westerfield in works by Lieberon, Saint-Saëns and Rachmaninoff. With violin soloist Joshua Bell; the Shed; Aug 2  
● Boston Symphony Orchestra: conducted by Seiji Ozawa in works by Barber and Mahler. With soprano Barbara Bonney; the Shed; Aug 3  
● Boston Symphony Orchestra and Tanglewood Music Center Orchestra conducted by Seiji Ozawa, Leon Fleisher, Keith Lockhart and John Williams in a programme which includes Tchaikovsky's 1812 overture; the Shed; Aug 5  
● Boston Symphony Orchestra: conducted by Seiji Ozawa and Lukas Foss in works by Bach, Foss and Bizet. With flautist James Galway and violin soloist Tamara Smitova; the Shed; Aug 8  
● Clarinet player Richard Stoltzman and pianist Lukas Foss perform works by Gershwin, Copland, Ives and Foss; Ozawa Hall; Aug 7  
● Juillard String Quartet: in works by Mendelssohn, Copland and Schubert; Ozawa Hall; Aug 6

## VENICE

**EXHIBITIONS**  
Giardini di Castello, the Corderie della Tana and elsewhere in the city  
Venice Biennale: the 47th International Art Exhibition is larger than ever, with 58 participating nations and a strong showing from the underdeveloped world. The theme of the central exhibition, at the Corderie and the central Pavilion, is "Future, Present, Past"; to Nov 9

## VERONA

**OPERA**  
Arena di Verona Tel: 39-45-800 5151  
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli; Aug 3, 7  
● Madame Butterfly: by Puccini. New production. Conducted by Angelo Camponi, with designs by Beni Montrosari; Aug 2  
● Rigoletto: by Verdi. Conducted by Nello Sant'ini in a revival of Lotfi Mansouri's staging; Aug 8

## VIENNA

**EXHIBITION**  
Kunsthause Wien Tel: 43-1-7120495  
Schmidt-Rottluff (1884-1976): comprehensive exhibition of around 180 works by the German expressionist, including paintings, drawings, etchings, woodcuts and sculpture; to Aug 24

## WASHINGTON

**CONCERTS**  
Wolf Trap Tel: 1-703-218 6500  
National Symphony Orchestra: conducted by Zdenek Macal in Verdi's Requiem, with the Choral Arts Society of Washington; Aug 2

**EXHIBITIONS**  
National Gallery of Art  
Tel: 1-202-737 4215  
Sculpture of Angkor and Ancient Cambodia: Millennium of Glory. Around 100 works dating from 6th-16th centuries make up this exhibition of Khmer sculpture, the first of its kind in the US. Previously seen in Paris, the show will travel to Japan; to Sep 28

## ZURICH

**EXHIBITIONS**  
Kunsthause Zürich Tel: 41-1-251 6765  
Birth of the Cool: wide-ranging survey of American art in the latter half of this century. Among the artists represented are George O'Keeffe, Jackson Pollock and Andy Warhol; to Sep 7

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# Weekend Investor

Wall Street

## Banks lead the charge to the top

And investing in them no longer seems quite so silly, writes John Authers

There used to come a moment in Monty Python's Flying Circus, that dearly remembered 1970s British comedy series, when a stiff-upper-lipped British brigadier with a huge moustache would burst onto the screen roaring: "Now stop that! This is all getting frightfully silly."

Wall Street is in need of his services. A market that showed a distinctly Pythonesque frenzy in the first six months of the year, with the Dow Jones Industrial Average gaining 548.82 points, more than any month this year. Over the seven months of the year so far the Dow is up 28 per cent.

It is not just the Dow, either. Basic industries are recovering, with metal and paper manufacturers returning to favour. Small companies are rallying and high-technology businesses are posting records.

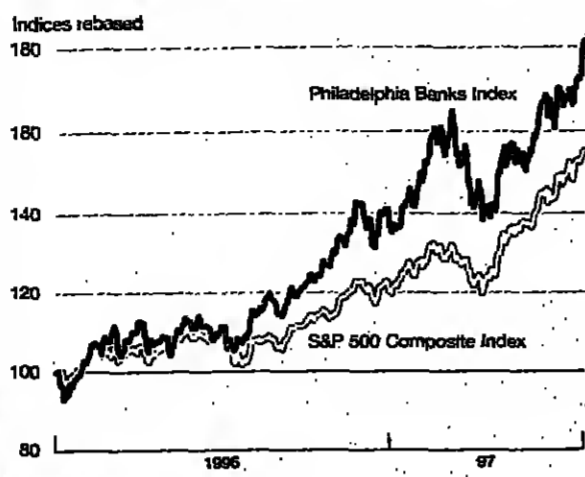
Leading the charge, most surprisingly of all, is the banking sector, the most sober rebud of the US economy and one that is far removed from the Ministry of Funny Walks which appears to govern the rest of the market.

Financial services stocks have clobbered the rest of the market since the beginning of last year, as the graph shows, and their success reached new peaks this week. Citicorp, once again the largest US bank by market capitalisation, managed to gain 85% to \$130% on Tuesday alone.

At first sight, this is crazy. Banks have been around for a long time, they operate in mature markets, and it is difficult for them to continue to make demand grow with new products, an option which is open to those providing software or silicon chips. Credit cards, which many banks had made the cornerstone of their operations, have been hit by high levels of charge-offs.

Moreover, hopes that improved technology could make banks more profitable have taken a knock from a series of profits warnings from Wells Fargo, once a Wall Street darling, which has pioneered internet banking. Well-publicised service problems have lost it many accounts.

### US banks: a licence to print money



Source: DataStream/ICV

So why are the banks faring so well? Wall Street's valuations are not as frightfully silly as they appear, although they are highly questionable.

First, banks are notoriously sensitive to interest rates. The lower the Fed keeps base rates - all other things being equal - the more banks can lend and the higher the profit margins they can achieve.

There is the occasional signal to the contrary but, for the most part, the inflationary outlook is obdurately benign and the Fed seems unlikely to raise rates for several months.

Second, banks are historically under-valued. Even after outperforming the market for the best part of two years, their shares are now selling at 15 times their projected earnings for this year and 13 times those for next year.

Gerard Klauer Mattison, a Wall Street broking firm, points out that this leaves the sector much cheaper than the market as a whole, trading on only 61 per cent of the earnings multiple for the S&P Industrials index for this year and 58 per cent for next year.

This gives ample room for share prices to appreciate further.

The most optimistic in the banking sector, such as Citicorp, are trying to persuade the market that they are consumer retail brand franchises, and should be valued accordingly - a position which makes some sense given the changing face of US banking.

If they succeed in this, their share prices have a very long way to go.

Finally, and most important, the sector is historically inefficient - a legacy of 1980s reforms to prevent a banking collapse and the enduring popularity of small "community banks".

This provides huge opportunities for the banks to improve their profitability.

Their favourite method of doing so - mergers and acquisitions - cements their popularity with Wall Street. A wave of mergers and acquisitions has continued to sweep through the US banking sector this year, with bidders prepared to pay ever higher prices for their targets.

This produces a virtuous spiral for shareholders. Once two large banks in a state have been bought, the final bank left offers big national banks the last available entry to that state.

Virginia has just provided a perfect example: two banks were bought in quick succession so a third, Signet Banking, was able to command a huge price from First Union, the nation's sixth largest bank.

Signet's shares were trading at \$36 1/4 the day before the deal was announced. The offer valued it at \$51 1/4.

Perhaps it isn't so silly to invest in banks after all.

### Dow Jones Ind Average

Monday	8,121.11 +7.67
Tuesday	8,174.53 +53.42
Wednesday	8,254.89 +80.36
Thursday	8,222.61 -32.28
Friday	

London

## The peace is deceptive

But don't be fooled; the sharks are circling, warns Philip Coggan

We all know the score. Any time a Hollywood film opens with a young woman swimming in a calm sea on a sunny day, you can bet she is about to be attacked by a shark. Similarly, although the performance of the stock market appears serene, with the FTSE 100 index close to 5,000, you can hear the chords of ominous music building in the background.

It was significant that, on Wednesday, results from BAT and Guardian Royal Exchange led to a decline in the companies' share prices and that there was a similar response on Thursday to figures from British Telecom, Glaxo Wellcome and TI.

Sometimes, the market simply gets over-exuberant ahead of a company's results and ramps the share price immediately before the figures, only to take profits afterwards.

Nevertheless, corporate earnings are one of the most important fundamental factors driving the market. A rash of down-grades would not be helpful for a market trading on an historic price-earnings ratio of more than 19. Bulls will be hoping that the autumn results' season breaks the pattern of the past few days.

But how representative of the trend is this week's batch of results? One can get a rough and ready view of the trend in corporate earnings by dividing the Non-Financial index by its price-earnings ratio. As the graph shows, after very rapid growth in 1995 and early 1996, earnings appeared to peak in the middle of last year.

In part, this could be due to the effect of sterling's strength which, in the past year, has dealt a blow to the previously flourishing export sector.

In addition, interest rates

stopped falling a year ago and corporate borrowing costs have risen since.

It was not surprising that one of the exceptions to the trend this week was Lloyds TSB. Shares in the bank rocketed on the back of its results yesterday, continuing the outperformance of the financial sector.

Around lunchtime yesterday, Lloyds was responsible for all of Footsie's 20-point rise. The FT Banks sector has risen by more than 44 per cent so far this year. If you have been underweight in the banks, you are probably wondering what all this talk of a bull market is about.

Were it not for the positive international background, Footsie might be struggling to stay in touch with the 5,000 mark. On Wall Street, even after yesterday's wobble on the back of some stronger-than-expected economic data, the Dow Jones Industrial Average is above



Just when you thought it was safe...

8,000. Treasury bonds have also been performing strongly in recent months as the US economy demonstrates its continuing ability to grow without any signs of inflationary pressure.

Strength on Wall Street tends to drag other markets higher, particularly the UK, where some of the leading stocks are also traded in New York. To overseas investors, sterling's strength is actually positive, of course, since it adds a currency gain to any profits they make from share price movements.

Sterling had some reverses this week. The pound dropped below DM3 for a brief period as investors began to take the view that the damage caused to exporters might make the Bank of England think twice before raising interest rates again.

The relief for manufacturers was short-lived, however, and the pound was well above DM3 yesterday. Part of the problem is that investors continue to be shy of European currencies in the build-up to economic and monetary union (Emu), figuring that the euro will be a weaker version of the D-Mark. Given that the UK looks unlikely to join Emu in the first round, the pound thus represents a "safe haven" currency.

To add to the danger signals, Monday marks the day on which the calculations of the market's dividend yield switch over to reflect the loss of the tax credit. At a stroke, this will reduce yield

by a fifth and make conventional measures of the stock market's value - the gilt-equity yield ratio - look stretched.

As this change was announced in the Budget, it will be no surprise to investors. But it might still be sobering for some to see the market's sub-3 per cent yield in cold print.

The last time the market was trading on such a low yield was back in 1987, and one needs no reminder as to what followed. But Wall Street has been trading on an extremely low yield - by historical standards, at least - over the past few years, although that has not stopped the Dow's remorseless rise.

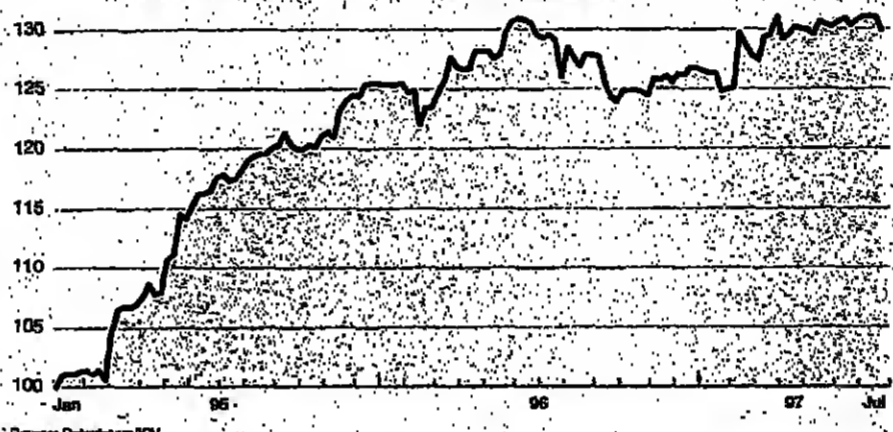
Nevertheless, there are signs that some investors are re-aligning their portfolios. Scottish Equitable, the life assurance group, was reported this week to have shifted £100m out of UK equities, and into bonds and cash, on the ground that rampant consumer spending will force interest rates and sterling higher. Last week, Scottish Widows announced a shift out of European equities and into cash and bonds, arguing that markets in the US, UK and Europe were now over-valued.

A global bull market is in full swing, and it is hard to see what can disrupt it; inflation or recession are unlikely short-term prospects in most developed countries. But the risks of either seem higher in the UK than elsewhere at the moment.

The sharks are circling.

### Implied corporate earnings

FTSE Non-Financial Index divided by p/e on Non-Financial Index (rebased)



Source: DataStream/ICV

### Highlights of the week

	Price	Change	52 week	52 week	
	1 day	on week	High	Low	
FTSE 100 Index	4986.3	+7.8	4964.2	3770.6	Low inflation/high growth in US
BSkyB	480 1/4	+26 1/4	587	424	Price rise
Courtaulds	313	+23	488 1/4	288	Source from currency fears
Croda Intl	302	+22 1/2	373	246	Positive statement
GKN	1052 1/4	+54	1186	907	Marketmaker squeeze
Glynwed Intl	219 1/4	+25	371 1/4	193 1/4	Positive broker comment
ICI	1015	+97 1/2	1022	881 1/4	US buying following roadshow
National Power	542	+48	590 1/4	373 1/4	Row with electricity regulator
PowerGen	721 1/4	+61	797 1/4	462 1/4	Row with electricity regulator
Salvesen (C)	298	+23 1/2	366	235 1/4	Fading bid hopes
Securicor	277	+20	336	246 1/4	Analysts' visit to company
Smiths Inds	796	+47 1/2	833 1/4	708 1/4	Weaker sterling
TI Group	535	+21 1/4	594 1/4	450	Industrial back in favour
United Utilities	703 1/4	+30	789	551 1/4	Chief executive goes

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WEEKEND INVESTOR

■ Rights issues

Pendragon is to raise £50m via a 4 for 7 at 25p rights issue.

■ Offers for sale, placements & introductions

Energy Capital Investment Co. is to raise £21.5m via a placing and offer of loan stock at 120p.

New issues

Seascope Shipping, a shipbroking and consultancy group, postponed plans for a listing until later this year because of "weakness in the stock market for smaller companies", writes *Emilio Terrazano*.

The company, which published its pathfinder prospectus on July 10, was planning to raise \$4m in new capital in a placing before the end of July.

Jarvis, the railway maintenance company, has said it will press ahead on schedule with next week's rights issue despite its shares lagging below the issue price. The £82m issue closes on Monday, which could leave underwriter Close Brothers with Jarvis stock.

Energy Capital Investment Company is raising £21.5m, net of expenses, by way of a placing and offer of 18.47m units of loan stock at 120p apiece. Greig Middleton and HSBC James Capel, joint brokers, have conditionally placed 17.4m units with investors. The offer is on a basis of one stock unit for each ordinary share, with the 120p payable in three instalments.

■ Gill issues - best value v tax status

Your capital gain on a gilt - a UK government bond - is tax free. However, you pay tax on the interest. Therefore, gilts which deliver a higher proportion of their total return as capital gain are more tax efficient - and other things being equal - more attractive to higher rate taxpayers.

ISSUE TYPE	Stock	Price	Yield %	Volatility %
CONVENTIONAL	Treasury 10%, 2001	108 31/32	7.11	2.86
	Treasury 5.75%, 2002	111 5/32	7.10	3.58
	Treasury 5.25%, 2003	108 9/32	6.98	7.88
	Treasury 5.00%, 2012	118 21/32	6.87	4.75
INDEX-LINKED	Index-Linked 2.5%, 2001	107	6.94	3.78
	Index-Linked 2.5%, 2003	103 9/32	6.81	5.21
	Index-Linked 2.5%, 2005	103 9/32	6.81	5.21
	Index-Linked 2.5%, 2007	103 9/32	6.81	5.21
20% TAXPAYERS	Treasury 5%, 1999	98 6/32	5.77	1.89
	Treasury 6.75%, 2004	98 18/32	5.64	5.80
	Treasury 6.25%, 2010	93 25/32	5.67	9.39
	Treasury 5%, 2013	110 3/32	5.45	10.11
INDEX-LINKED	Index-Linked 2.5%, 2001	107	6.42	3.84
	Index-Linked 2.5%, 2003	103 9/32	6.29	5.30
	Index-Linked 2.5%, 2005	103 9/32	6.29	5.30
	Index-Linked 2.5%, 2007	103 9/32	6.29	5.30
40% TAXPAYERS	Treasury 5%, 1999	98 6/32	4.55	1.82
	Treasury 6.75%, 2004	98 18/32	4.28	5.21
	Treasury 6.25%, 2010	93 25/32	4.37	10.19
	Treasury 5%, 2013	110 3/32	4.35	11.27
INDEX-LINKED	Index-Linked 2.5%, 2001	107	5.98	3.89
	Index-Linked 2.5%, 2003	103 9/32	5.79	5.24
	Index-Linked 2.5%, 2005	103 9/32	5.79	5.24
	Index-Linked 2.5%, 2007	103 9/32	5.79	5.24

Yield is redemption yield and takes account of any change in the capital value over period to maturity. Volatility is a measure of the sensitivity of the stock price to changes in yield. Money yield (current inflation assumed), 55% real yield (adjusted for inflation). Source: ESW

■ Last week's preliminary results

Company	Year	Pre-tax profit (£'000)	Carriage per share (p)	Dividend per share (p)
Alloy	1996	4,110 (4,220)	15.76 (11.17)	6.8 (5.5)
Alloy Capital	1996	12,700 (14,000)	12.7 (10.2)	7.5 (7.5)
Alloy Underwriting	1996	21,700 (24,240)	12.6 (8.4)	10.2 (8.0)
Alloy	1996	232 (194)	2.67 (1.74)	0 (0)
Black Arrow	1996	3,690 (2,470)	10.05 (6.73)	4.0 (5.4)
Blackwell	1996	1,210 (813)	5.5 (4.1)	1.4 (1.3)
BT	1996	12,100 (10,500)	6.86 (5.7)	4.3 (4.1)
BT	1996	995 (1,000)	4.0 (7.0)	2.25 (2.25)
BT	1996	144.0 (181.0)	0 (0)	0 (0)
BT	1996	1,340 (1,200)	4.5 (4.1)	2.8 (2.8)
BT	1996	725 (1,250)	0 (0)	0 (0)
BT	1996	255.0 (241.0)	1.07 (2.53)	0 (2.0)
BT	1996	1,540 (2,000)	0 (0)	0 (0)
BT	1996	202.7 (274.0)	4.3 (4.3)	3.8 (3.8)
BT	1996	1,340 (1,200)	0 (0)	0 (0)
BT	1996	62,500 (50,000)	53.0 (44.0)	12.25 (10.00)
BT	1996	1,340 (1,200)	17.1 (22.3)	8.8 (8.8)
BT	1996	700 (500)	11.5 (6.2)	3.8 (3.8)
BT	1996	700 (500)	0.8 (0)	0 (0)
BT	1996	1,500 (1,600)	0 (0)	0 (0)
BT	1996	14,200 (10,500)	11.7 (13.3)	6.3 (6.0)
BT	1996	1,340 (1,200)	3.5 (3.5)	3.8 (3.8)
BT	1996	27,500 (163,000)	0 (0)	0 (0)
BT	1996	2,200 (1,100)	18.8 (11.0)	2.85 (2.85)
BT	1996	281.4 (284.4)	4.15 (5.02)	3.95 (3.95)
BT	1996	154.7 (137.0)	1.71 (1.4)	1.1 (1.1)
BT	1996	217.7 (204.0)	0 (0)	0 (0)
BT	1996	1,700 (1)	0 (0)	0 (0)
BT	1996	6,170 (5,070)	3.02 (6.49)	3.0 (2.5)

■ Results due next week

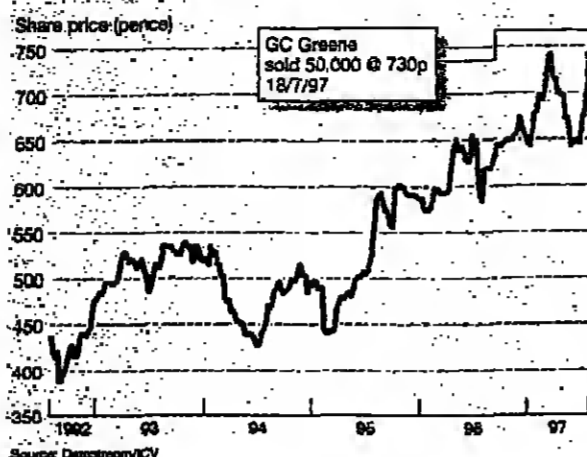
Company	Announcement	Last year's interim	This year's interim
Barclays	Thursday	11.5	20.0
British Airways	Thursday	10.8	10.8
British Petroleum	Thursday	5.25	5.25
Carlsberg	Thursday	11.45	16.85
Commercial Union	Thursday	0.18	0.44
Elsevier	Thursday	9.6	16.9
GN	Thursday	1.900	3.200
Hemphill Properties	Thursday	0.105	0.305
Hayward Williams	Thursday	5.0	8.8
Imperial Chemical	Thursday	2.1	4.2
KBC Advanced Technologies	Thursday	1.75	1.25
Liberty	Thursday	7.25	8.75
London & St Lawrence	Thursday	3.12	1.5
Mayflower Corp	Thursday	0.75	1.5
Mersey Docks & Harbour	Thursday	4.0	8.75
Metal Bulletin	Thursday	5.8	14.2
National Westminster Bank	Thursday	9.8	19.4
Nokia Corp	Thursday	3.5	3.5
Oxford Molecular	Thursday	8.9	11.1
Pearson	Thursday	5.8	11.5
Prudential Corp	Thursday	5.0	15.0
Rank	Thursday	8.25	18.50
Reed International	Thursday	1.5	1.5
Robert Walters	Thursday	3.44	5.0
Royal Dutch	Thursday	14.4	22.5
Shell Transport	Thursday	4.25	10.25
Standard Chartered	Thursday	0.25	0.25
TR Pacific Investment Trust	Thursday	4.0	5.5
Telewest Communications	Thursday	1.05	1.65
Telewest Development	Thursday	1.05	1.65
Wills Comoro	Thursday	12.5	22.5
Woodward	Thursday	12.5	22.5

\*Dividends are shown net of tax and are adjusted for any intervening scrip issues. Figures and amounts are not normally available until about six weeks after the board meeting to approve preliminary results. 1st interim, 2nd interim, 3rd interim. \* Finnish Marks. \* Hong Kong dollars. \* Dutch florins. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

■ Current takeover bids and mergers

Company	Value of bid (£m)	Market price (£m)	Pre bid value (£m)	Value in bid (£m)
Argent Group	375	370	450	228.5
BS & EA	75	724	796	8.4
BT	172	172	172	136.72
BT	650	675	642	85.50
BT	15	15	15	118.0
BT	95	934	774	21.56
BT	1825	1825	1825	23,000
BT	1315	1315	1274	7.31
BT	175	1967	134	69.8
BT	320	314	310	105.6
BT	6125	1075	915	23,000
BT	414	414	391	37.1
BT	75	73	61	23.85
BT	44	42	44	51.20
BT	210	201	188	289.50
BT	185	175	185	83.85
BT	140	135	136	24.76
BT	120	120	120	10.08
BT	130	130	130	24.16
BT	75	72	67	51.63
BT	135	131	130	85.81
BT	135	131	130	85.81

Greene King



Directors' dealings

A large sale this week at Greene King, the brewery and pub group, might ring a few bells among investors, especially since the seller was one of the longest standing directors, George Greene. He disposed of 50,000 shares at 730p, reducing his holding to 99,783. The shares have risen 8 per cent in the past month. Interim results in June showed that like-for-like sales are up this year and the recently acquired Magic Pub chain is performing well.

Another large sale in this sector came at Inn Business, where Alan Jackson, the chairman and chief executive of the tenanted pubs group, sold 262,500 shares at 67p, reducing his holding to 1.3m.

Directors' share dealings

Company	Sector	Shares	Value £'000	No of directors
SALES				
Bristol Water Hldg	Wtr	7,100	82	4
Greene King	Brew	50,000	365	1
Inn Business Grp	Brew	262,500	178	1
Land Securities	Prop	2,000	19	1
Mark & Spencer	RtgG	13,402	78	3
National Power	Elec	25,000	145	1
Next	RtgG	10,000	77	1
Raphael Zam Hensly	Oil/H	10,000	11	1
Stanley Leisure	LtH	36,200	110	3
Mark & Spencer	RtgG	162,634	971	6
Savem Trant	Wtr	17,608	151	1
PURCHASES				
Britannia Grp	BCan	210,000	67	2
Business Post	SSer	50,000	218	1
City of London PR	Media	18,750	18	2
Coats Viyella	Text	30,000	36	1
Copyright Promotrs	Media	40,000	26	2
Electric	RtgG	13,000	34	1
Electric	RtgG	100,000	39	1
Flomig Inc & Cap	InvT	27,000	25	1
Hanson	Tran	500,000	29	1
Man (ED&F)	FdPr	9,000	18	1
Manmore Abbey	SSer	29,408	12	1
Mayer Int	BM&M	3,000	12	1
Face Micro Tech PI	Elec	60,000	32	1
Pharmig Int	InvT	13,000	34	1
Rights & Issues	InvT	5,000	12	1
Rubrood	BM&M	39,000	30	4
SDX Business System	Elec	40,000	68	3
Sutton Hthcare	Hlth	135,000	520	5

Companies must notify the Stock Exchange within the working days of a share transaction by a director. The list contains all transactions listed and fully including details of options (100% shareholdings) with a value over £10,000 information released by the Stock Exchange. Shares traded are ordinary.

■ Last week's interim results

Company	Sector	Half-year to	Pre-tax profit (£'000)	Interest (dividend) per share (p)
Alloy Metals	Metals	Jun 96	620,000 (638,000)	10.2 (6.7)
Alloy	Metals	Jun 96	2,000 (2,000)	0 (0)
Alloy Bank	Banking	Jun 96	240,000 (245,100)	8.5 (5.5)
Alloy	Banking	Jun 96	73,500 (62,000)	2.5 (2.0)
Alloy	Banking	Jun 96	1,210 (700)	2.0 (1.5)
Alloy	Banking	Jun 96	1,240 (1,210)	10.0 (10.0)
Alloy	Banking	Jun 96	1,240 (1,210)	10.0 (10.0)
Alloy	Banking	Jun 96	1,240 (1,210)	10.0 (10.0)
Alloy	Banking	Jun 96	1,240 (1,210)	10.0 (10.0)
Alloy	Banking	Jun 96	1,240 (1,210)	10.0 (10.0)
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Bids/deals

Both PacificCorp's £3.65bn bid for Energy Group and Capital Radio's proposed £65m takeover of Virgin Radio Group were referred to the Monopolies and Mergers Commission this week, writes *Virginia Marsh*.

On Energy Group, Margaret Beckett, trade and industry secretary, said she was concerned over whether it would be possible to maintain adequate regulatory control over the merged company. On Virgin, the government said the deal raised competition issues.

BT shareholders were little the wiser about the prospects for the company's planned £24bn merger with MCI of the US despite both announcing results this week. BT said fresh information probably would be available in the next month.

GE Capital, part of General Electric of the US, said it had made an agreed £118m bid for Central Transport Rental Group of the UK to create Europe's largest trailer rental company.

United News and Media accepted Granada's £11.75m offer for its 14 per cent stake in Yorkshire-Tyne Tees TV.

In the Pink

# August: nice little earner in parts of the world

The UK is particularly reliable at holiday time, says **David Schwartz**. And it's even better in a bull run

David Schwartz is a stock market historian

When it comes to the UK stock market, there are no guarantees. But price changes are not as random as efficient market theory (EMT) fans would have us believe.

The long-term August price trend raises some troubling questions for EMT supporters. History shows that August is the year's third-best month. Prices rise in two years out of three, a trend that has been running for much of this century. In contrast, adjacent months July and September rise about half the time.

According to EMT, prices at present are a reflection of all past knowledge and future hopes. In the absence of significant news, price changes are merely random gyrations. It is hard to reconcile this theory with August's pattern of above-average profitability.

History also shows that the likelihood of an August price rise is especially high in bull markets. Over the long run, shares rise an incredible 86 per cent of the time during bull markets, making August the number one-ranked bull market month of the year. In contrast, the stock market rises in just one out of three years during bear market Augusts. But August's strength is a local phenomenon.

On Wall Street, where the eight of the year's 12 months rise between 52 and 68 per cent of the time, August sits precisely in the middle of the pack. Japanese investors also profit 55 per cent of the time in August.

While UK investors do not make money every August, this sleepy summer month

has been a steady money-spinner over the long run. The worst decade in the past half century was the 1970s, when August rose by an average annual rate of 1.3 per cent, equal to about 60 points on today's FTSE 100 index.

The last time investors lost money with an August investment was in the 1940s. But, even then, things looked pretty good. Prices rose in seven of the 10 years although a 17 per cent drop in 1947, in response to the sudden suspension of sterling's convertibility, caused any week of the year. No one can explain why the stock market's record is so poor on late-August Tuesdays, but the trend has been running since 1935.

On the upside, there is a newly emerging short-term trend that will interest in-and-out day traders. For many decades, shares fell consistently on Monday August 14 - but rose just over half the time when this date fell between Tuesday and Friday.

Since 1979, the FTSE All-Share index rose 10 times in a row when August 14

August just seven times. The smallest decline was 3.5 per cent in 1973, close to 150 points on today's Footsie. Many of the other declines were much higher.

Happily, big moves are likely on the upside as well. To put things into perspective, when UK prices rise, the odds are high that the increase will be larger than Wall Street's increase. In UK down years, the odds are also high that UK investors will do worse than those in the US.

Investors will be intrigued by an interesting relationship between the direction of share prices in the past 12 months and August's price trend. Thanks to Michael Hughes, of BZW and Datastream, for providing the historical data.

## FT WEEKEND

True Fiction / Michael Holman

## A broken heart under African skies

Her letter came as no surprise, but it hurt, by God it hurt. So when I spotted Tubby Fanshawe at Nairobi's Kenyatta airport, I gave my companion of the Africa trail a wide berth.

It's an odd thing, but when one's heart has been broken, or one's pride and self-esteem dented, sometimes the last person you want to meet is an old friend.

Perhaps it is because you can't dissemble with those who are closest to you, and find it harder to put on a brave face. So I slipped out of the airport, feeling a bit of a heel, checked in at the Hotel Intercon, and made straight for the top floor bar.

"A stiff G and T," I told the waiter. As a modest tooter, I am certainly not in Tubby's league, but that evening I knocked back several in an attempt to kill the pain. I don't know how long I had been sitting there, but suddenly my reverie was broken by a familiar voice.

"Hollers! I say, Hollers old

chap! Spotted you at the airport, looking as cheerful as a *butumba* caught by the *batubas*." I should have known Tubby would turn up, sooner or later, at the old watering hole.

I looked up at the familiar bulky frame, my resistance weakened by the element of surprise. "It's Carol," I blurted out.

"Yes," he said gently. "Word gets around." Ruddy-faced, a full moustache, grossly overweight, fingers nicotine-stained, and quick to perspire in a suit more polyester than cotton, Tubby was an incongruous source of comfort. But when, in his awkward but affectionate way, he put his arm round my shoulder, I knew the time had come to reveal all to my old friend, distinguished accountant, and fre-

quent flier on the world's favourite airline. "It hurts, Tubby, it hurts like hell."

He clumsily patted my arm with his fleshy, sweaty palm. "Don't bottle it up, old son. It helps to talk."

He beckoned the waiter: "Another G and T," he said, "and don't spare the cashew nuts."

"Come on Hollers, old boy, spit it out." And so, warmed by his compassion, and my normal inhibitions loosened by the G and T's, I began.

"Looking back, Tubbs," I said, "I now realise that I had started taking Carol and her letters for granted. She wrote regularly, bright, chatty notes every few weeks. It began three, maybe four years ago, possibly longer. She really seemed to care."

Tubby nodded. "I know."

Something in the tone of his voice got through to me, even in my fuddled state. Not for the first time, I wondered about Tubby's own feelings for Carol.

But now I had confessed I had to go on, I had to confess a dark and shameful thing. "I began showing them to friends."

"I remember," said Tubby. "You showed them to me." That tone again, but I ploughed on.

"I poked fun at Carol in the most public way possible. I wrote about her in those occasional travel pieces in the FT."

I buried my head in my hands. "Unforgivable," Tubby nodded, silent.

"I turned her letters into grist for my sordid journalistic mill. I behaved like a cad, Tubbs."

Cad. It's an old-fashioned word, but no other will do.

Tubby once again said nothing, but in his silence there was a rebuke I found hard to bear.

I stopped, and took a long draught of my G and T. The ice had melted and it tasted flat and sour, even my *Davidoff No 2* had lost its oaky, mellow flavour.

"What happened next?"

"This came in the mail, a month ago," I said, and tossed Carol's latest letter on the table, creased and crumpled. Goodness knows how many times I had gone through it, line by line, trying to find some comfort. "She says it's over."

"Do you want me to read it?" Tubby asked softly.

I nodded. "What she has to say

is bad enough," I said to Tubby.

"But the tone, the cold tone from someone once so warm. She made me feel special, there's no other word for it," Tubby read the letter, and winced.

"What hurts as much as anything is the implication that I have been unfaithful," I said.

"It's not true, I swear it's not true. I have had the opportunities, and I haven't even been tempted..."

Tubby squeezed my arm. "Weaker men would have cheated, Hollers," he said. "If it will do any good, I'll write to Carol."

It was an offer that moved me more than I can say. "She won't budge, Tubby, she won't budge. Listen to this..."

And as the bells of Nairobi's

Anglican Cathedral began to peal, I read aloud the most painful part of Carol's letter.

"Dear Mr Holman, We have noticed that last year you did not fly as frequently with British Airways as you have previously..." I broke off, and looked across at Tubby.

"I swear I've never flown another airline on any route served by BA... surely she doesn't think I've switched to SAA or Kenya Airways?" Tubby just shook his head, and motioned me to continue.

"To retain your Executive Club Gold Membership, you needed to collect 1,200 points during the year... as you didn't reach this figure, your Gold membership has not been renewed."

"Yours sincerely, Carol Fanshawe, Manager, Executive Club." I looked up at Tubby. "Courage, Hollers, courage." And as he reached out and gripped my hand, the cathedral bells were still tolling the passing of those dark hours before dawn.

Carlos Gardel must get through more than a pack of cigarettes a day. Which is curious, given that he has been dead for 62 years.

Gardel, Argentina's most revered Tango singer, lies buried in La Chacarita, a sprawling cemetery on the wrong side of the Buenos Aires tracks. The singer's tomb has long been a place of pilgrimage for devotees, who ritually place a lighted cigarette in the right hand of his cheerful, life-size statue.

Singing like a dream and dying youngish in an air crash have turned the brilliant matinee idol into an object of veneration, even for the unlikely of people. "Make three wishes," says a hip-looking boy with a goatee beard, standing vigil by the grave. "Gardel will grant them."

La Chacarita is reputedly South America's biggest graveyard. With its grid-like layout and wild mix of architectural styles - from Greek and Gothic Revival to Baroque and Art Deco - it echoes the eclectic city that surrounds it.

But in the narrow streets of Buenos Aires, the buildings have risen ever higher over the years, turning much of the centre into gloomy canyons of offices and apartments. In La Chacarita, only the grandest of tombs has more than two storeys. Above ground, that is. A glance down through a grille reveals a dusty crypt with up to 10 layers of neatly stacked coffins.

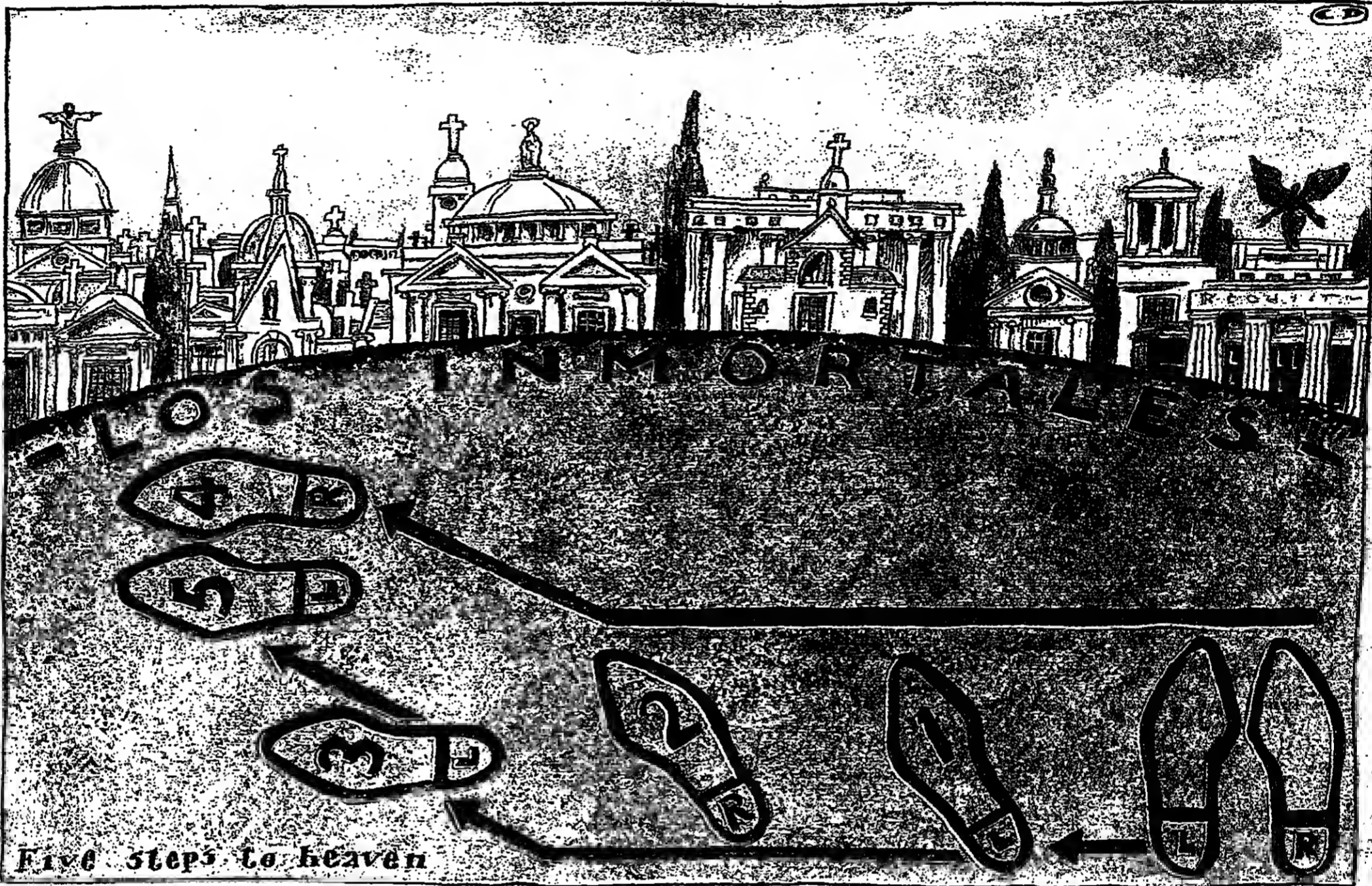
Argentina's wealthiest families have their own exclusive resting place on the other side of town, just over the road from the smart cafes and restaurants of Recoleta where they see out their last days. The only gate-crasher is the embalmed and much-travelled body of Eva Perón, the woman who did her utmost to snatch their wealth away.

But here in La Chacarita there are no social barriers to entry. "If your family can pay, then we will take you," says the watchman. "But if they stop paying, then out you go."

The management takes a firm line with backsliders. Families who fall behind on maintenance payments are told to take their loved ones' remains elsewhere. Commemorative plaques are wrested off the walls and family names chiselled off or painted over until new residents can be installed.

On one tomb the marble casing has cracked into fragments. The top coffin, and its lead lining, has split down one side, exposing the corpse to the elements. "Can't get hold of these people at all," shrugs the watchman. "It's a pity to see a grave like this."

Debtors are not the only ones who can find their last rest disturbed. Just over 10 years ago, a gang broke into the modest family vault of Evita's husband, General Juan Domingo Perón.



Metropolis

## Hell of an eternity in La Chacarita

In Buenos Aires, Ken Warn finds a corollary between cigarettes and the Argentine way of life and death

Argentina's ruler and founder of the populist and infinitely pliable political creed that bears his name. The intruders made off with his hands.

To this day, nobody knows why. Some say it was a simple blackmail attempt. Others argue that Perón's fingerprints were required to gain access to secret Swiss bank accounts. (Imagine turning up in Geneva and trying to explain to the bank manager.) Yet others believe that the desecration was an act of posthumous revenge by Freemasons angry at the sequestration of British assets by Perón's regime.

The hands have never been seen since. The watchman ushers us away as we attempt to take a picture of the Perón vault, perhaps fearful of further raids.

Most of the tombs in La Chacarita are tightly packed in, like little terraced houses. One or two coffins are on display at ground level, behind glass, while a narrow staircase in the corner twists down to the crypt. Some groups - musicians, the armed forces, immigrant communities - have free-standing monuments. The English chose to be buried elsewhere.

Everything is in a bewildering

mix of off-the-peg building styles, often not appropriate for the inhabitants. Bishops and archbishops are not in some soaring Gothic edifice, but a modernist concrete bunker. It is, however, set apart from the riff-raff.

Carmelite nuns are in a black, marble-clad low-rise, like a swish 1960s apartment block. Style like this does not come cheap. It costs \$5,000 just to get a deceased nun through the doors of this streamlined ante-room to the afterlife. Then there's the upkeep.

Long-established businesses maintain a corporate presence

on the streets of the necropolis. Banco de Boston and Banco Francés have each installed their glitzy - banking - dead in sepulchral branch offices.

If a marble tomb topped by a weeping angel is beyond your means, there is a budget burial option. A long, low building snakes around the perimeter of the graveyard, with rows of small, square compartments full of human remains, like an endless left-luggage department.

The cemetery's older tombs feature grandiose statues of proud educators and nation-builders. The 1970s brings a gun-

ned-down trade union leader, or a little girl, the daughter of an industrialist, killed in a kidnap attempt. Faded caddy toys flank her tiny coffin.

In recent years, the Argentine way of life and death has been changing. Middle-class city dwellers have been moving out in droves to gated private *barrios* beyond the suburbs. They have decided to exchange the pleasures and perils of the city for a security fence and unlimited access to the golf course.

As in life, so in death. La Chacarita faces competition from new, US-style Gardens of Rest.

The modern Argentine corpse demands more fresh air and greenery than La Chacarita can provide.

But Gardel shows no signs of relocating. His statue, the weeping Muse of Music at his side, is surrounded by bouquets from admirers and scrawled notes of thanks for favours granted.

Three men huddle round the tomb in the evening chill. A cheap cassette recorder plays an ancient Tango. The boy with the goatee turns up his collar against the cold. He lights another cigarette and places it gingerly in the statue's hand.

Arcadia

## A love-hate relationship with emmets

The old and the new feed off each other in south Devon, finds Bob Delquiaro

Signs of summer in the village are contemporary and centuries old. The changing has on the moors, and the migrations, the early sightings of strangely marked animals, and then the herds of cars and caravans bearing number plates from distant parts.

Locals in the south-west of England, in Devon, contemplate these visitors and say to each other, in dialect, *yar come they ruddy emmets again* (here come those bloody ants again), with resentment and welcome for an invasion both awkward and lucrative.

Wet weather, dry weather (leading to water shortages), currency blight (a strong pound enticing the British abroad), the brevity of the season (on the busiest summer weekends the roads from London, the Midlands and the North are choked with traffic) can make for long faces, come September, among those who depend on tourism in the region.

The village, my old village South Brent, has, in places, altered itself radically to profit from the outsiders, and this has been lamented as a fall into vulgarity and ugliness. It is one

of those parts of the south-west changing both slowly enough for those who are keeping up its past and rapidly enough for those who are making its future.

It helps to be a little off the beaten track, though not so far that the main road doesn't supply custom. And it's as well to be busy enough with older ways to make a living.

South Brent still has its old core intact - four streets converging at the central square - and the houses near it built low, mean with the windows, to crouch under the off-season wind and rain.

Farther away from the centre, by the main road, there are modern houses, some to accommodate those whose jobs are in bigger towns, such as Plymouth and Exeter. But these need not offend the eye of people who want to see a comely old

village on the edge of Dartmoor.

The place eschews the twee stasis of some English villages and towns, where every household has sworn a conformity blood-oath and every loup and petunia is wired to sound an alarm at any dropped coffee wrapper or incipient weed. The most Best Kept award has been lost to the next dormitory up the commuting line from London, Birmingham or Manchester, or even - whisper it and tremble - lest property values drop a pound or two.

The urban visitor may find the fields here pleasingly small, very different from the English prairies of East Anglia, and be glad the acidulous yellow of rapeseed fields is rare this far west. But the critical local eye sees many hedgcs as little better than thin, leafy fences by comparison with the tall, thick

barriers of tradition, supporting oak, beech, sycamore, whitethorn and many more kinds of plant.

In those, there was a diversity of habitats for wild creatures, close by more possibilities in the

Locals welcome and resent an invasion both awkward and lucrative

generous aprons left untilled around fields of wheat, cabbage and kale. Such sheltering dividers demanded attention: bedding and ditching by many skilled hands in winter. Now, though, farms are run by fewer

men and more machines; the hedges accordingly tend to be simpler.

I doubt anyone is making a fortune out of retailing in the village, but shrewd investment in its shops - more now than there were in the 1950s but still only a dozen or so - has done much to brighten them and clean them up, both premises and staff. The shops given over to antiques and meals are few and so blend in well. South Brent being saved from a plague of them by its distance from the south-west's beaches and by its own lack of resemblance to the rural scene that suits the chocolate box and tea towel. But there are out-of-town supermarkets to compete with now.

For someone standing on a corner of the square and remembering the place two generations ago, there is a sense

that the main change is that the concerns of the land, although still essential to the village, are further removed than they used to be.

Photographs taken before the first world war show the main streets splattered with animal dung, and so they were within middle-aged memory, but now no one drives herds of cattle and sheep along them.

Stock-raisers send their animals farther away to market and do so by road, the village's railway station having been closed and dismantled.

Of a weekday morning, one still sees a few spry old fellows, complexioned courtesy of all weathers ending in modesty's pallor at the V-neck of workaday shirts. They look at what interests them with direct stares and walk like pilgrims with long sticks cut from the wayside. These are also good for

shepherding animals.

Such countrymen remember how, one gusty day in late summer during the second world war, an excited messenger arrived in the village reporting that German paratroopers had landed on the high moors. Many a tear was shed into many an onion as the men of Brent set off, grim-faced, along the lanes to defend the realm, armed with shotguns and pitchforks.

The latter came in handy for tidying up the wind-blown hay impermanent the Wehrmacht's parachute silk.

But the speech of the old people, whose habits were fixed before the standardising influence of national radio and television, is dying out, and few still protest thus at a bit of sharp practice: *shiv jorick, now onstn* (it isn't fair, my handsome). Having been taken up as a slang term for invading holiday-makers, the word *emmets* might well be the last fragment of regional dialect to survive in common usage.

And a happy one.

هكذا من الأجل





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# Wall Street and sterling peg back Footsie

By Philip Coggan  
Markets Editor

A sharp early fall on Wall Street, and a rebound in sterling, eventually negated the effect of a rally in one of the market's leading shares, Lloyds TSB, yesterday. The FTSE 100 index ended the session 82 points lower at 4,884.3.

Morning performance was driven by a powerful performance from Lloyds TSB, one of the select band of banking stocks which have been leading the market higher all year. Investors were impressed by margin growth and by a bullish statement from the chairman. By midday, the rise in Lloyds TSB shares was responsible for virtually all of Footsie's 20 point gain.

With Unilever results also received and with the UK purchasing managers' index showing no sign of inflationary pressures, the market looked like ending the week in good shape.

However, hopes that sterling's period of strength might be over, aroused earlier in the week, were dashed as the pound gained three pence against the D-Mark, leaving the DM3 level well behind. Overseas earners such as British Steel suffered accordingly.

There was one hopeful sign for the beleaguered manufacturing sector. According to Mr Bijal Shah, global strategist at Merrill Lynch, directors have been piling into the shares of the companies they own, particularly industrial stocks. That is normally a bullish indicator.

The afternoon was dominated by US economic data. Wall Street took a larger-than-expected increase in non-farm payrolls in its stride but a strong purchasing managers report revived fears of interest rate rises and sent the Dow Jones Industrial Average down by 100 points at one stage. Treasury bonds were well over a point lower in early trading.

The sudden decline on Wall Street had a dramatic effect in London, where Footsie, which was 28.5 points higher just after 3pm, fell 50 points in three-quarters of an hour to its low for the day of 4,886. As the Dow steadied, the leading index recovered most of its losses, although it failed to regain the 4,900 level.

The FTSE 250 index also fell on the day, dropping 3.6 to 4,484.4 but for once the SmallCap index outperformed, gaining 0.3 to 2,188.7.

Glits suffered along with Treasury bonds and the benchmark 10-year issue ended the day around half a point lower.

"One thing we've been emphasising for some time is that, at these levels, the market is vulnerable to bad news. Our traders are nervous about the direction of the market and say that spreads are widening all the time," said Mr Corey Miller, strategist at Credit Lyonnais.

The market will face a testing time next week with a batch of corporate results, a possible interest rate rise and the official shift in the dividend yield calculations to reflect the abolition of tax credits in the Budget.

Volume was 815m shares at the 6pm count yesterday, of which 52 per cent was in non-Footsie stocks.

## Equity shares and options trading

The outstanding feature of the traded options market was a large position in Energy Group that seems to be profitable if the takeover by PacificCorp is allowed, writes Martin Price.

A total of 2,533 lots were traded in the shares, with the purchase of the November 650p calls at 13p - they will be profitable if the stock, which closed down 27 at 624p in cash, stands above 663p in November. The same trade

was said to also involve the sale of the February 650p calls for 23p.

In trading of the FTSE 100 future, September opened at 4,930 and trended down, the morning and early US statistics touched a discount to the cash market of 62 points, with fair value estimated at a premium of about 19. It closed at 4,880, with cash at 4,897. Volumes in the FTSE were similar to those in stock options: about 9,100 lots.

The shares jumped 65 at best before retreating on the back of strong US economic data to close 60 better at 736p - a new peak - on turnover of 21m. It was one of the day's best performances, not just in the FTSE 100 but in the market as a whole, and accounted at the close for more than 18 points on the Footsie.

Figures from the bank were in line with the range of analysts' forecasts but margins were strong. And Sir Brian Pitman, the chairman, gave a messianic statement.

Sir Brian, who has enthusiastically pushed the line that banks deserve a similar rating to some of the big retailers, was making analogies with Coca-Cola and arguing that while not yet "The Real Thing", Lloyds had the potential.

He was comparing a company with a prospective price-earnings ratio of 38 times with Lloyds' apparently negatively 15 times. He admitted that Coca-Cola produced a 60 per cent return on equity, but said Lloyds was still producing a punchy 40 per cent.

Analysts were impressed. They pointed out that, with £1bn excess capital, Lloyds would boost earnings through acquisitions while shareholders could gain directly from special dividends or share buy-backs.

Even the most cautious global banks were raising their sights. Merrill Lynch

now has an 85p share price target, which is at the bottom of a growing range of forecasts that go through Dresdner Kleinwort Benson's 930p to around 960p. Kleinwort has also raised its 1998 earnings target by 10 per cent to 48.3p.

Energy drained

Referral to the Monopolies and Mergers Commission of PacificCorp's agreed bid for Energy Group sent the latter down 24 1/2 to 626p.

Energy was the biggest faller in the Footsie and heavy volume of 14m made it the third most heavily traded. There was also a large position taken in the traded options market.

The US offer now lapses. But there was arbitrage buying at the lower levels as traders decided some form of deal would eventually go through despite increased regulatory muscle from the Labour government.

One analyst said: "We see no real reason why it should have been referred. Recs [regional electricity companies] have been taken over by US companies before and this is in the same vein." He added that the stock offered reasonable fundamental value at the closing price.

Other electricity stocks were also off, although they have suffered recently because of their dispute with Professor Stephen Littlechild, the regulator, over electricity prices. Traders dismissed that of a bid for Wessex Water, which was off 8 1/2 to 433p.

Unilever boost

Unilever, the Anglo-Dutch household products group, maintained the feelgood factor in the UK with some top of the range second-quarter figures that sent the shares up 53 1/2 to £18.31p.

The stock also benefited from the announcement of a four-for-one share split. Share splits make no differ-

ence to the underlying value of a company but tend to increase liquidity.

Mr Julian Hardwick, of ABN Amro Hoare Govett, said: "Unilever seems to have very solid trading momentum and we would expect this rate of progress to be sustained through 1997." However, many analysts were leaving forecasts intact in order to factor in the strength of sterling.

Currency fears were again stalking the overseas earners, with British Steel off 3 1/2 to 163p in volume of 8.2m. Sentiment was not helped by a "sell" note from Panmure Gordon, which highlighted the issue of currency and said stocks exposed to the US dollar were its preferred investment.

Biocompatibles, the healthcare company, was ahead 67 1/2 to £11.60p, albeit in thin volume, on increased hopes for a deal with Johnson & Johnson of the US on licensing its stents valves that free up blocked arteries.

Colt gained 13 to 367 1/2p. The telecoms group has signed a deal with France Telecom and Morgan Stanley raised its share price target from 370p to 420p.

Tradepoint, the AIM-quoted electronic stock exchange, fell 5 to 80p after announcing widening full-year losses.

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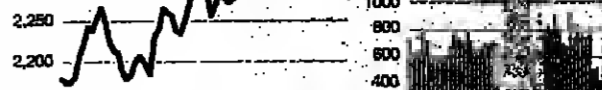
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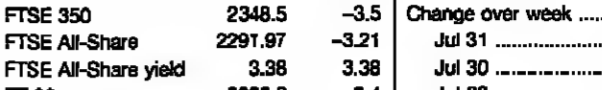
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## FTSE All-Share Index



Source: Ecol

## Equity shares traded



Turnover by volume (million). Excluding inter-market business and overseas turnover

25 figures not available

## Indices and ratios

FTSE 250	4488.4	-3.8
FTSE 350	2348.5	-3.5
FTSE All-Share	2291.97	-3.21
FTSE All-Share yield	3.38	
FT 30	3092.2	-8.4
FTSE Non-Fin p/e	19.21	19.31
FTSE 100 Fut Sep	4871.0	-48.0
10 yr Gilt yield	7.08	7.04
Long glt/equity yld ratio	2.11	2.09

## FTSE 100 Index

Closing index Aug 01	4889.3
Change over week	47.8
Jul 31	4907.5
Jul 30	4927.3
Jul 29	4876.8
Jul 28	4862.8
Jul 27	4835.3
Low	4941.7

Intra-day high and low for week

## FTSE - LEADERS & LAGGARDS

Percentage changes since December 31 1996 based on Friday August 1 1997

Group	FTSE All-Share	FTSE 100	FTSE 250	FTSE 350	FTSE 500	FTSE 750	FTSE 1000	FTSE 1500	FTSE 2000	FTSE 2500	FTSE 3000	FTSE 3500	FTSE 4000	FTSE 4500	FTSE 5000	FTSE 5500	FTSE 6000	FTSE 6500	FTSE 7000	FTSE 7500	FTSE 8000	FTSE 8500	FTSE 9000	FTSE 9500	FTSE 10000
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Gas Distribution	+4.10	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Banking	+3.52	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Food	+3.27	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Chemicals	+3.27	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Textiles	+3.27	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Metals	+3.27	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Telecoms	+3.27	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 2500	+10.25	FTSE 3000	+10.25	FTSE 3500	+10.25	FTSE 4000	+10.25	FTSE 4500	+10.25	FTSE 5000	+10.25	FTSE 5500	+10.25	FTSE 6000	+10.25	FTSE 6500	+10.25	FTSE 7000	+10.25	FTSE 7500	+10.25	FTSE 8000	+10.25	FTSE 8500	+10.25	FTSE 9000	+10.25	FTSE 9500	+10.25	FTSE 10000	+10.25
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Health	+3.27	FTSE All-Share	+13.82	FTSE 100	+10.97	FTSE 250	+16.06	FTSE 350	+10.25	FTSE 500	+10.25	FTSE 750	+10.25	FTSE 1000	+10.25	FTSE 1500	+10.25	FTSE 2000	+10.25	FTSE 250
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**INVESTMENT TRUSTS - Cont.**

Western States	✓
Northwest	✓
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Florida	✓
California	✓
Arizona	✓
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South Dakota	✓

Pacific Horizon	_____	_____	_____
Warrant	_____	_____	_____

[illegible]

1994

[illegible]

111

[illegible]

Total	1658	+5	1663
Zero Day P7	1024	-1	1023
Promoter & Gen Incond.	1996	-1	1995

[illegible]

106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
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 Accuracy P1 \_\_\_\_\_  
 Zero Div P1 \_\_\_\_\_

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Zero Profit  
Production Costs

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**AIME - Cont.**

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# Wall St falls after bonds shakeout

## AMERICAS

Tumbling Treasury bonds led US stocks sharply lower in morning trading as the Dow Jones Industrial Average fell by more than 300 points at one point and other leading indices traded lower, writes John Labate in New York.

By early afternoon the Dow was down 84.07 or more than 1 per cent at 8,388.54. The Standard & Poor's 500 sank 11.79 to 942.52. The Nasdaq composite, heavily weighted in technology stocks, was off 6.05 at 1,587.76.

The bond and stock markets were hit with several economic reports, including news that the unemployment rate in July fell to 4.8 per cent and non-farm payrolls increased by an unexpectedly large 316,000.

In a separate report, manufacturing activity rose faster than expected, according to the National Association of Purchasing Management. The NAPM report cited a sharp rise in prices paid as well, reflecting rising commodity costs. Both the payroll and manufacturing reports put severe downward pressure on bond prices throughout the morning.

"All the market needed was a slight gust of wind to knock it down," said Mr

Stephen Shohin, technical analyst at Lehman Brothers. However, the setback should be temporary in both the bond and stock markets, he added.

Banking stocks were among the hardest hit as bond prices plunged. Chase Manhattan lost \$2.14 at \$110.04 and Bank of New York fell \$1.14 at \$47.84.

Although the Nasdaq fell, technology stocks were mixed as the Pacific Stock Exchange index lost less than one point at 325.39. Among the risers, Intel gained \$1.42 at \$93.44 and Oracle, the second largest software company, gained \$1.44 at \$54.44.

Apple Computer jumped \$1.40 or almost 4 per cent to \$134.40 on speculation about possible board changes.

TORONTO fell sharply, with banks tumbling following a shakeout for bond markets and most leaders moving determinedly lower. At the noon calculation, the 300 composite index was off \$2.18 at 6,825.50.

Banks were among the weakest sectors as worries about the immediate direction of US interest rates resurfaced in the wake of the latest jobs data. Royal Bank of Canada came off 95 cents to C\$95.20 and Bank of Montreal lost 40 cents to C\$97.05.

# Mexico City turns lower

MEXICO CITY reversed two days of solid uptick with a mid-session decline for the IPC index of 80.39 or 1.6 per cent to 4,987.44 following the early shakeout on Wall Street. Dealers said leading stocks fell across the board in heavy volume. "It was an unmistakable sell signal. Bonds were all over the place and everybody rushed to take profits," said one broker.

Telefonos de Mexico came off 15 centavos to 21.45 pesos

and financial group Bancomer retreated more than 3 per cent, sliding 16 centavos to 5.62 pesos.

SAO PAULO was hit by worries about the trade deficit after the market was said to have got wind of a larger-than-expected trade deficit for July.

"It's pure speculation. We have not yet seen the official figures," said one trader.

At mid-session, the Bovespa index was off 477 or 3.7 per cent at 12,396.

## EUROPE

The initial nose-dive on Wall Street pushed FRANKFURT sharply lower and at the close of electronic trading the Dax was off 68.54 at 4,336.98 having stood comfortably above 4,400 when official floor trading came to an end.

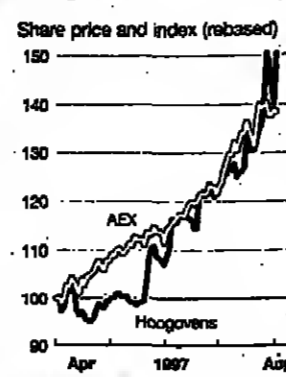
Retailers took one of the day's harder knocks, chemicals continued to lose ground noticeably and Daimler Benz suffered further share price falls following broker downgrades. Mannesmann, up DM18 at DM371, was a rare gainer among leaders.

Daimler came off DM4.75 to DM148.10 for a two-day decline of 7.5 per cent. Both Merrill Lynch and Deutsche Bank cut earnings forecasts following the industrial giant's first results and conference call on Thursday.

Merrill set a target price of DM125 for the shares for the medium term. "The company's results were solid, but not spectacular, especially when they were stripped of currency exchange benefits," a Merrill analyst said.

Karstadt and Metro stood

## Hoogovens



out among retailers, retreating DM23.80 to DM68.7 and DM36.5 to DM56.45 respectively. Chemicals, weak on Thursday following a wobble for the dollar, stayed down. BASF eased DM1.35 to DM69.15 and Hoechst coming off a similar amount to DM84.25.

AMSTERDAM ended down, handing back all its early gains and mirroring the Dow's drop. The AEX index closed at 980.74, off 2.59 after spending most of session zig-zagging at higher levels.

# Tokyo slides as systems failure hits trading

## ASIA PACIFIC

Tokyo plunged 2.6 per cent after a computer-system failure forced the exchange to suspend all online operations for the first half of the day and limit trading to the 150 issues in the Nikkei 225 index which are handled manually by floor traders, writes Owen Robinson.

The Nikkei 225 average ended 527.05 lower at 19,804.38 after moving between 19,797.58 and 20,399.14.

When full trading resumed in the afternoon, stocks tumbled on hedge selling of index futures in Osaka. The system failure had halted arbitrage-related transactions in the first half of the day. At the close, cash market volume was an estimated 450m shares, against the previous day's 448m.

The Topix index of all first-section stocks slid 31.25

to 1,512.79 and the capital-weighted Nikkei 300 was down 6.44 at 295.49.

Continuing demand for Sony shares led the limited morning transactions, as investors welcomed the previous day's announcement that first-quarter profits had more than doubled. After reaching a record high of ¥12,200, Sony closed at ¥12,200, up ¥400.

Other blue-chip electricals followed suit. Fujitsu rose ¥20 to ¥1,760, Advantest ¥300 to ¥1,130 and Hitachi, the day's most active issue, ¥20 to ¥1,360. Car makers, however, retreated. Honda fell ¥130 to ¥3,830 and Toyota ¥120 to ¥3,510.

Nomura Securities finished unchanged at ¥1,690 after rewriting the year's intra-day high earlier in the session.

Banks generally retreated. Bank of Tokyo-Mitsubishi fell ¥70 to ¥2,130 and Indus-

trials Bank of Japan ¥50 to ¥1,600.

Contractors continued the slide triggered by Wednesday's collapse of Tada, a medium-sized contractor. Taisei fell ¥11 to ¥466, Obayashi ¥21 to ¥673 and Shimizu ¥21 to ¥589. Tada, which was not traded in the morning, ended at the asked price of ¥52.

In Osaka, market sentiment was dampened by the TSE's computer problems and the OSB average fell 388.29 to 20,721.56, while vol-

ume was virtually unchanged at 30.7m shares.

In London, the FTSE 100 gained 2.83 at 1,689.71. MANILA moved higher on low volume with the composite index adding 19.24 to 2,635.64. Dealers said trading was again characterised by uncertainty. Currency and money markets remained edgy.

Small caps provided of the day's features. Gaming concern Belle Corp was the most heavily traded stock, rising 10 centavos to 6.60 pesos.

BANGKOK moved lower for the third day running as worries about the economy continued to depress sentiment. The move by Standard & Poor's to put Thailand on creditwatch was quickly interpreted as a sell signal.

At the close, the SET index was off 13.58 at 652.04 for a three-day loss of around 30 points. Turnover

remained modest at Bt3.5bn.

KARACHI stocks ended sharply down in blue chips. The 100-index ended down 58.40, or 2.94 per cent, at 1,931.11.

A Fortune Securities dealer attributed the fall to profit-taking after sharp increases in the stock prices in the past few sessions and said profit-taking would continue.

Pakistan State Oil closed R10 lower at R15. Engro Chemical R8 down at R163 and Fauji Fertiliser fell R4 to R88.

KUALA LUMPUR retreated as buying interest waned ahead of the week-end. The composite index closed down 10.21 at 1,002.63.

Telekom, which underpinned the market's rise in the morning on a strong rebound, fell back ahead of the release of its half-year results. The stock ended unchanged at M\$9.70 after

early rising to M\$10.

"Blame the ringgit. Interest rates are going up," said a dealer at J.M. Sassoon. He said news that the central bank had asked local banks not to raise their base lending rates was helpful but not exciting. "Otherwise, the banks will get squeezed around the neck," he said.

The all-shares index dropped 27.7 at 7,456.8.

Johannesburg industrial shares finished weaker, trickling down on Wall Street's overnight slide after its recent bullish run and as some profit-taking sets in. Golds also ended off on an all-time bullion price, which slips below \$325.

The industrials index closed down 5 at 9,145.5, while golds shed 8.14 at 963.7.

The all-shares index

# LONDON STOCK EXCHANGE - DEALINGS

Details of business done should have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. The data is delivered by Euronext, part of Financial Times Information. The prices are those at which the business was done in the FT Stock Information Service. The prices are those at which the business was done in the FT Stock Information Service. The prices are those at which the business was done in the FT Stock Information Service.

## British Government Stocks

Annexes 2/97 - 3/97 (Government Stocks)  
Corporation and County Stocks  
British (Day of) 11 1/2% Red Stk 2000 - 127 1/2 (24/97)  
Dudley Municipal Borough Council 7 1/2% Red Stk 2000 - 127 1/2 (24/97)  
Selkirk (City of) 7 1/2% Red Stk 2000 - 127 1/2 (24/97)  
Sunderland (Borough of) 11 1/2% Red Stk 2000 - 127 1/2 (24/97)

## UK Public Bonds

Metropolitan Water 2 1/2% Red Stk 2000 - 127 1/2 (24/97)  
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Metropolitan Water 2 1/2% Red Stk 2000 - 127 1/2 (24/97)

## Foreign Stocks, Bonds and Coupons Payable in London

BAA PLC 11 1/2% Red Stk 2000 - 127 1/2 (24/97)  
BAA PLC 11 1/2% Red Stk 2000 - 127 1/2 (24/97)  
BAA PLC 11 1/2% Red Stk 2000 - 127 1/2 (24/97)  
BAA PLC 11 1/2% Red Stk 2000 - 127 1/2 (24/97)  
BAA PLC 11 1/2% Red Stk 2000 - 127 1/2 (24/97)

## Debt Issuance Programmes

Co-Operative Bank PLC 10 1/2% Red Stk 2000 - 127 1/2 (24/97)  
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Co-Operative Bank PLC 10 1/2% Red Stk 2000 - 127 1/2 (24/97)

## Sterling Issues by Overseas Borrowers

Asian Development Bank 10 1/2% Red Stk 2000 - 127 1/2 (24/97)  
Asian Development Bank 10 1/2% Red Stk 2000 - 127 1/2 (24/97)  
Asian Development Bank 10 1/2% Red Stk 2000 - 127 1/2 (24/97)  
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Asian Development Bank 10 1/2% Red Stk 2000 - 127 1/2 (24/97)

Birmingham Midland Building Soc 6 1/2% Red Stk 2000 - 127 1/2 (24/97)  
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Environmental Investment Company Ltd 10 1/2% Red Stk 2000 - 127 1/2 (24/97)  
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First National Building Society 11 1/2% Red Stk 2000 - 127 1/2 (24/97)  
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## COMPANIES AND FINANCE

## NatWest opts for insider as chief executive

By John Gapper, Banking Editor

National Westminster Bank yesterday appointed investors by making an insider chief executive of NatWest Markets, its investment banking arm, which is to be scaled back with the removal of its most profitable division.

NatWest shares closed 7p down at 859p after it emerged that Mr Chip Kruger, who has been co-head of its bond division, would

become chief executive despite the bank's earlier decision to consider outsiders.

The bank also confirmed that it is to establish a separate division for its treasury and foreign exchange arm, which has been the most profitable part of NatWest Markets. This could make it easier to sell NatWest Markets in future.

NatWest, which has been under intense pressure since a £77m loss due to options mispricing was discovered in March and Mr Martin

Owen, chief executive of NatWest Markets, subsequently resigned, will announce interim results next week.

Although Mr Derek Wanless, the bank's chief executive, and Lord Alexander, chairman, have been privately criticised by investors, Mr Wanless insisted yesterday that he intended to stay to improve its profitability.

"I am absolutely intent on carrying on. We have to deliver our strategy of transforming a number

of our businesses, and that is what I intend to do," said Mr Wanless, who admitted the options loss had "hit us at a bad time".

Mr Wanless said he had chosen Mr Kruger despite considering outside candidates because he had been impressed by Mr Kruger during a review of NatWest Markets. Analysts said NatWest may have had difficulty in attracting a strong outsider.

Mr Wanless said the bank intended to create a "partnership

culture" at NatWest Markets by developing a bonus scheme that was based on share options, or an equivalent. NatWest's costs have been pushed up recently by cash bonuses.

The bank announced a target of reducing substantially its lending to non-UK companies.

About £2bn of loans to companies in the UK will be moved out of NatWest Markets, and it will cut overseas lending by a third within two years.

## Hello to the appointment of Mr Chip

John Gapper discusses the split-up of NatWest Markets

The appointment of Mr Chip Kruger to head a diminished NatWest Markets did not inspire British investors yesterday. Shares in National Westminster Bank drifted downwards on confirmation of NatWest's move to split off its treasury operations, and place an insider in charge of what is left.

Mr Kruger, who joined NatWest Markets a year ago as co-head of Greenwich Capital Markets, a bond trading business which it bought for \$600m (£370m), has won respect inside the bank. However, it was immediately assumed that NatWest had failed in a hunt for a powerful outsider to take on the challenge.

Furthermore, NatWest's announcement yesterday contained few surprises. Its decision to create a separate division for what is a powerful and profitable treasury arm, while splitting off parts of corporate lending, had emerged already. The plan was finally approved by its board on Thursday evening.

One notable aspect of the appointment is that an American now heads each of

the divisions involved. Mr Alton Irby will head advisory, Mr Tom Whelan fixed income, and Mr Stephen Harris the treasury division, global financial markets.

Mr Kruger, 44, a US citizen of German ancestry, was educated and has worked largely in Connecticut. He has built a reputation for being accessible, energetic and intelligent in his short time at NatWest. He worked in money markets at Chemical Bank before joining Greenwich in 1993.

Yet the leap from co-head of a specialist bond trading firm in Connecticut to running a global investment bank that has an ambition to rival Goldman Sachs is a large one. This is among the reasons why many analysts assumed that his appointment signals a diminishment of NatWest's ambitions.

One analyst questioned why Mr Derek Wanless, NatWest chief executive, had not appointed Mr Kruger immediately after the departure of Mr Martin Owen, his predecessor. "There are so many questions about vari-

ous members of the management now that they probably had to answer one," he said. Mr Wanless, who has headed NatWest Markets as well as the bank since Mr Owen's departure after a £77m loss because of options mispricing, said the choice of Mr Kruger stemmed from what he had observed. "The more I worked with the team here, the more it became clear Chip should be in charge," he said.

He said teamwork between Mr Kruger, Mr Irby and Mr Whelan was "a major plus, and not something that could be replaced from outside". Mr Kruger himself said the senior management group had "grown very close over the past few months, which bodes well for the future of NatWest Markets".

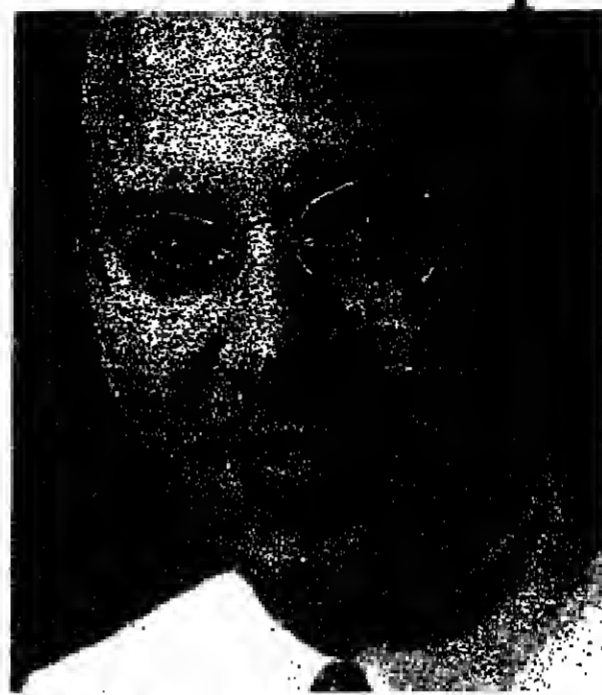
One way in which Mr Kruger will attempt to reinforce this message is by developing a form of share option or ownership scheme within the investment bank. He argues that investment banks such as Morgan Stanley have been able to encourage greater teamwork with this form of reward. However, making NatWest

Markets contribute more to group profits will be a tough task. Mr Kruger said the businesses within NatWest Markets are "clearly less developed" than in the treasury. "We have created a more traditional-looking investment bank, which we can now focus our efforts on," he said.

Part of the effort will be a sharp reduction in the level of traditional bank lending done by NatWest Markets. About £2bn of loans are being moved into the commercial bank, and NatWest has set a target of reducing the £2bn left in the investment bank by £10bn within two years.

However, the businesses within NatWest Markets will have to be worked harder to replace the steady flow of trading profits produced by treasury operations. Although the oldest part of the operation - the former Wood Mackenzie brokerage - has a strong reputation, its profits are limited.

That leaves largely operations that have been acquired in the past two years, including Greenwich, and the two advisory arms,



Chip Kruger: has won respect inside the bank

Gleacher NatWest in the US and the former Hambro Magan. Shorn of the trading profits, NatWest Markets will instead have to gain more debt and equity underwriting.

However, the fact that it is now exposed to more scruti-

ny may make its task even harder. This widespread assumption in the market is now that NatWest Markets could eventually be merged with another investment bank or sold off. That is hardly likely to help Mr Kruger restore calm.

## Refocused Unilever beats estimates

By David Blackwell

Unilever, the Anglo-Dutch consumer products group, yesterday unveiled second quarter results ahead of market expectations.

The shares responded with a gain of 53p to £18.21p. A 4-for-1 share split is proposed to improve liquidity.

The sale in May of its specialty chemicals division to ICI left Unilever with pre-tax profits of £4.4bn for the half year to June 30, compared with £1.1bn.

Excluding the £3.02bn profit on the deal, profits were up 24 per cent to

£1.37bn in the half, with the second-quarter outcome up 37 per cent at £36m.

Sales were 3 per cent higher at £16.8bn for the six months, including a rise of just 1 per cent to £8.83bn in this second quarter.

Analysts said the result reflected the benefits of the past couple of years of restructuring, which has seen underperforming and low margin activities weeded out. But the weak sales line showed that growth was difficult to achieve, particularly in France and Germany.

Mr Niall Fitzgerald, chairman, said sales growth was

likely to remain modest in the second half, partly because of continuing rationalisation of the portfolio. While profits growth would be "less buoyant, profit improvement for the full year should be satisfactory".

The group took a £50m hit from the strong pound in the quarter, taking the total currency effect for the year so far to £70m. Analysts estimated that currency factors would cost it about £300m in the full year, leaving forecasts at £2.75bn, excluding profit on the ICI deal.

As well as the gain on the sale, the second quarter ben-

efited from £3m net exceptional credits following disposals, including the sale of the UK-based John West Foods business to HJ Heinz, the US foods group, in June. This compared with £91m of charges last time.

In Europe, operating profits before exceptional items rose from £385m to £484m in the quarter, helped by lower pension costs and the absence of any charge for BSE. But while margins increased from 9.5 to 12 per cent, sales were flat at just over £4bn.

North American sales eased to £1.48bn following

disposals. Operating profits improved from £96m to £100m. Asia Pacific profits rose from £82m to £105m in spite of higher investment and marketing costs, but Latin American profits fell to £70m (£51m).

Discontinued operations - mainly the specialty chemicals division - accounted for £84m of profits and £714m of sales in the quarter. The ICI deal left the group with £2.8bn of cash at the end of the period, compared with gearing of 39 per cent at the same stage last year.

Earnings per share were 150.19p, against 36.5p.

## Corporate Services doubles to £9m

By Emilio Terrazano

A steady rise in demand for contract labour pushed up interim pre-tax profits at Corporate Services Group, the UK contract labour and training services company.

The company, shares in which fell earlier this year after a change in accounting policy, said pre-tax profits for the six months to June 30 more than doubled from £4m to £8.95m (£14.6m) on an 88 per cent rise in turnover to £176m.

Acquisitions accounted for £15m of the profits. Mr Jeffrey Fowler, executive chairman, said the profit rise reflected a fundamental change in corporate hiring policies. "People can no longer afford to have employees on standby at a fixed cost."

He said demand for information technology contract workers and qualified doctors was robust, and during the first six months the company had won contracts from Sony UK, Panasonic, the Environment Agency and the Queens Medical Centre.

Turnover of the employment division rose 24 per cent to £68.4m.

Operating profits rose from £2.6m to £3.5m, raising margins from 4.1 per cent to 5 per cent.

An increase in value of government funded contracts awarded by training and enterprise councils helped turnover in the training division rise 16 per cent.

Operating profits rose from £656,000, compared with a previous £520,000 increasing margins from 6.4 per cent to 6.9 per cent.

The company has launched a personal pension plan with Prudential Corporation for contracted and temporary workers.

Earnings per share rose to 3.68p (2.3p), while the interim dividend is set at 2.7p (2p).

The shares, which hit a high of 236p in February, closed 54p yesterday at 186p.

## BPP shakes off strong pound

By Charis Gresser

BPP Holdings, the education and training group, shook off the impact of a strong pound yesterday, reporting interim profits before tax and exceptional items up 22 per cent to £5.4m.

Lingurama, its language training business which has 40 schools across Europe, pushed up profits 60 per cent to £1m, despite sterling's 20 per cent appreciation over the past year. "The analysts thought we were going to be murdered by sterling, but we've delivered a turnaround at Lingurama through improved systems and course material," said Mr Richard Price, chairman.

After a £2.9m exceptional loss on disposal, pre-tax profits were £2.55m (£4.56m) on turnover of £38.1m (£35.3m).

BPP's largest division - professional training - lifted profits by 35 per cent to £2.7m, thanks to the buoyant recruitment market. The company has expanded from its core accountancy and actuarial courses to training for law and financial services qualifications.

The publishing division had a difficult half-year, reporting a fall in profits from £1.24m to £1.1m, which it blamed in part on a troubled batch for retailers.

The shares closed up 10p at 427p. Earnings per share before exceptional items were 13p (10.5p); the interim dividend increases 25 per cent to 5p.

## FTSE Actuaries Govt. Securities

Index	Jul 31	Jul 30	% chg	Jul 30	Jul 29	% chg	Jul 29	Jul 28	% chg
1 Up to 5 years (20)	118.68	-0.05	-0.04	120.02	2.27	6.38	5 yrs	5.89	6.05
2 5-15 years (20)	153.29	-0.28	-0.18	153.73	2.98	7.01	15 yrs	6.85	6.98
3 Over 15 years (9)	184.74	-0.43	-0.23	185.53	6.49	5.80	20 yrs	6.85	6.89
4 Government (2)	215.55	-0.30	-0.14	216.29	2.40	8.26	invt	6.99	6.97
5 All stocks (21)	147.98	-0.23	-0.16	148.44	3.11	6.70			

Index	Jul 31	Jul 30	% chg	Jul 30	Jul 29	% chg	Jul 29	Jul 28	% chg
6 Up to 5 years (2)	206.20	-0.04	-0.02	206.28	2.02	3.03	Up to 5 yrs	3.88	3.84
7 Over 5 years (10)	200.77	-0.15	-0.07	201.14	1.23	3.56	Over 5 yrs	3.53	3.52
8 All stocks (12)	201.29	-0.17	-0.08	201.60	1.21	3.85			

Average gross redemption yields are shown above. Coupon Bonds: Low: 0%-7%; Medium: 8%-10%; High: 11% and over. 1: Flat yield; 2: Year to date.

## NEWS DIGEST

## BPB puts £20m cost on sterling

BPB, the plasterboard manufacturer, yesterday said the strength of sterling would knock £20m from this year's profits rather than the £15m forecast when the company announced its results in June.

However, Mr Alan Turner, chairman, said that strong growth in volumes of sales achieved to the year to March 31 had continued into the first quarter of the new financial year. The shares fell 64p to 339p, but analysts said the increased impact of currency had been expected following the further rise in the value of sterling in recent weeks.

Last year's pre-tax profits of £178.4m were reduced by £10m because of currency moves. The company said the impact was almost entirely because of translation of profits back to the UK as it tended to produce locally. More than 75 per cent of its sales are outside the UK.

The company said it was also considering paying its dividend in future as a foreign income dividend following Budget tax changes, but said last year's final dividend would not be affected.

FIDs, which allow companies to reclaim any surplus ACT paid on overseas earnings, have become increasingly popular recently, with several multinational companies deciding to pay their dividends in this way. Roger Taylor

## Troubled broker bought

WH Ireland, a Manchester-based stockbroker, announced that it has acquired the assets and business of John Siddalls, the troubled stockbroker which was ordered to cease trading by the Securities and Futures Authority last month.

Ireland refused to disclose the price paid, but said it had bought only business assets of Siddalls and not its liabilities.

Siddalls, also based in Manchester, was ordered by the SFA to transfer its clients to another firm after the regulator deemed that its financial resources were inadequate.

Siddalls was also reprimanded by the SFA over insider dealing in Anglia Television in 1994. Mr Gregory Banks, a senior director, and Mr Stephen Alexander, the firm's senior executive officer, were both expelled from the SFA's register of directors.

Yesterday's acquisition will increase Ireland's funds under management from £17m to £50m. Ireland, which has 6,000 clients, said it would try to ensure a smooth transition for Siddalls' 7,000 clients. Siddalls' London office and other regional offices will be retained, although the Manchester headquarters of the two brokers will be merged. Emilio Terrazano

## Paramount ends Kent talks

Paramount, which was known as Canadian Pizza mill last month, yesterday terminated talks with Mr Harry Kent, the Salford baker who founded the company in 1985.

The Kent family, which still has more than 17 per cent of the shares, confirmed that it was behind the "tentative approach" announced by Paramount in May. The Kent consortium, backed by venture capitalists and banks, had tried to get sufficient information to mount a bid, but this had not been forthcoming.

However, Mr Peter Woodall, Paramount chief executive, said the group had offered more information than it was obliged to. "To do more than this would put us at commercial risk and is not in our shareholders' interests."

Paramount, which said that the information had been available since June 4, also said it was no longer in talks with any other potential trade buyers.

The shares - 20p when the group came to market in 1993 - closed 2p down at 82p. David Blackwell

## Caverdale advances 20%

Caverdale, the motor retailer, industrial products and motorcycle accessories group, lifted interim pre-tax profits by 30 per cent to £3.13m, on turnover 6 per cent higher at £129.8m.

Mr Arild Nerdrum, chairman, predicted a strong performance from the motor retailing side in the August trading period. He said that a number of managerial changes and a summer sales campaign meant "the third quarter performance should be substantially ahead of our earlier expectations".

Motor retail operating profits were marginally lower at £2.88m (£2.91m) in the six months to June 30 although after allowing for reorganisation charges and increased computer systems costs, the figure would have been 11 per cent higher at £3.28m. The industrial products and accessories side produced an 85 per cent increase to £1.6m.

Dresdner Kleinwort Benson, the house broker, maintained forecast pre-tax profits at £7m (£5.4m) for 1997 but said the benefit of a series of bolt-on acquisitions would show through in upgraded 1998 profits of £8.2m, giving a forward multiple of 5.7 on yesterday's share price of 126p, up 64p. Gary Evans

## Penguin deal with Red Storm

Penguin Group, the publishing arm of Pearson, yesterday announced a strategic agreement with Red Storm Entertainment, a multimedia company founded by Tom Clancy, the best-selling author, and Virtus Corporation, a 3-D multimedia company. Terms of the deal were not disclosed.

Red Storm, Penguin and other Pearson subsidiaries will start marketing online games in the autumn. Tom Clancy's long-time US publisher, Putnam Berkley, now owned by Penguin, will obtain the global English language rights to two novels as part of the agreement. Tracy Corrigan

DEWEHIRST GROUP, the Marks and Spencer clothing supplier, yesterday issued a statement explaining its chairman's decision to substantially reduce his stake in the company. Mr Timothy Dewhurst's interest was reduced by 177,487 "following his recent divorce", it said. At yesterday's closing price of 218p, these shares were worth more than £387,000.

RPS GROUP: Despite a slow second quarter, the environmental consultancy raised pre-tax profits 18 per cent to £1.76m in the first half of 1997. Turnover rose by 6 per cent to £9.92m, while operating margins increased from 15.8 per cent to 17 per cent. Mr Alan Hearn, chief executive, said BAK, the recent Dutch acquisition, had helped in well and new markets such as due diligence were growing.

WASTE MANAGEMENT International has sold its 60 per cent stake to Ingenieria Urbana (Imusa) to Seguros Generales de Medico Ambiente for Ptas2,222m (£29.9m). Segura, part of Compañia Espanola de Seguros Publico Auxiliares, the Spanish waste services group, had previously acquired 40 per cent of Imusa from Argentina in June. Following the sale, WMI will have no remaining operations in Spain.

## Colt deal with France Telecom

By Virginia Marsh

Colt Telecom Group has become only the second telecommunications provider to sign an interconnect agreement giving it access to France Telecom's national network.

Mr Larry Ingeneri, Colt's chief financial officer, said the agreement, reached after several months of talks with France Telecom, meant the company would be well positioned ahead of telecoms liberalisation in the European Union from next year.

The shares rose 13p to 367p, against a flotation price of 275p last December. Mr Paul Marsch, of Morgan Stanley, said he had upgraded his valuation of the stock from 370p to 420p.

Colt was set up in 1993 to provide cut-price telecoms services to businesses in the City of London. It launched services in the Paris area in June, after building a fibre optic network covering the main commercial areas. It already has access to the France Telecom network but not on an interconnect rate basis.

## Lloyds TSB aiming at acquisitions overseas

By George Graham, Banking Correspondent

Lloyds TSB announced yesterday that it may use its £1bn (£1.65bn) a year of surplus cash to make acquisitions overseas, marking a potential change of strategy.

Lloyds, which has turned itself into one of the world's most highly valued banks by pulling back from overseas ventures and investment banking, reported a rise in first-quarter pre-tax profits of one-third to £1.5bn.

Investors welcomed a 26 per cent increase in the interim dividend to 5.3p as the shares rose 9 per cent to close at 736p.

Mr Peter Ellwood, chief executive, said that although Lloyds was still looking at possible acquisitions of banks, building societies and insurers in the UK, it was now so big it was running into competition problems in several areas. "There has to be a limit to expansion in the UK, simply because of the regulatory forces, so we are exploring other parts of the world," he said.

Although Lloyds has

operations in New Zealand and Brazil, it remains cautious about continental Europe. A first acquisition would offer few savings as continental banking markets mostly offer lower margins than the UK.

Sir Brian Pitman, who led Lloyds into the takeover of Cheltenham & Gloucester building society and its merger with TSB, and is now group chairman, said he would prefer further acquisitions as a way of using up surplus cash.

For the first time, however, the group may have to return cash it could not use to shareholders by buying back its shares, as Barclays and National Westminster have done.

"We are not going to buy things or just to get bigger," he said. "We would prefer to find opportunities to invest, but if we cannot do that, we will have to distribute more to shareholders."

Lloyds' share price has risen nearly 70 per cent this year, outpacing other banks and the rest of the UK stock market. The unexpectedly

large increase in its dividend yesterday was viewed by investors as a signal of confidence in its prospects.

Its post-tax return on equity of 40.4 per cent in the first six months of the year has set a new benchmark for banks, which have historically reckoned they were doing well to return an average of 17 per cent during the course of an economic cycle.

Total income rose 7 per cent to £3.59bn, while costs fell 4 per cent to £1.85bn as the group achieved some of the £400m annual savings it expects from merging the Lloyds and TSB banks.

The bank, which until now has kept Lloyds and TSB bank branches separate, is to open an experimental branch in Salisbury with the joint brand name.

Mr Ellwood said that when the two banks merged in 1995, customers were adamant that they wanted their banks to keep their own identities. But "over the 18 months we have been together they have started saying: 'We are surprised you haven't put the brands together.'"

## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total for year
Abn-Amro	6 mths to Mar 31	9.31	(12.1)	0.2582	(0.4571)	5	4	18
BPP	6 mths to June 30	38.1	(25.3)	2.554	(4.56)	2	(10.5)	1.6
Caverdale	6 mths to June 30	129.8	(122.6)	3.13	(2.81)	8.6	(7.8)	1.8
Corporate Services	6 mths to June 30	176.1	(93.8)	7.71	(3.38)	3.881	(2.3)	2.7
Greggs	24 wks to June 14	117.5	(108)	5.28	(4.28)	32.7	(25.2)	11
Greenwood Land	6 mths to Mar 25	0.2397	(-)	0.0384	(-)	0.381	(-)	-
Lloyds TSB	6 mths to June 30	15.7	(5.88)	1.12	(1.1304)	20.4	(13.7)	5.3
Premier Health	Yr to Dec 31	5.7	(5.88)	1.12	(1.1304)	14.7	(15.1)	-
RPS	6 mths to June 30	9.92	(9.32)	1.76	(1.5)	8.11	(5.3)	2.3
Unilever	6 mths to June 30	16,618	(16,314)	4,396	(1,112.4)	150.18	(36.5)	-

Investment Trusts

	NAV (£m)	Attributable Earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total for year
Anglo & Overseas	6 mths to June 30	661	(588.5)	6.7	(6.43)	5.87	(5.53)	2.4
Confidential Assets	5 mths to June 30	287.73	(245.275)	0.414	(0.478)	1.7	(2.11)	0.4
Fleming Emerging	Yr to June 30	19						

COMPANIES AND FINANCE

# Endesa to buy Chile power group

By Tom Burns in Madrid

Endesa, the main Spanish power group which plans a record market flotation after the summer, yesterday reached agreement to buy the biggest privately owned electricity company in Latin America.

The Spanish group, which is 66 per cent state-owned, said it would pay \$1.5bn for control of Enersis of Chile.

The agreement creates a joint venture 55 per cent owned by Endesa and 45 per cent by Enersis that makes the Spanish group the largest foreign electricity operator in Latin America. It provides Endesa with a platform to develop its interests in Latin America and gives it muscle to bid in future utility privatisations in the region.

Enersis is the leading power generator and distributor in Chile and has expanded into Argentina, Brazil and Peru, which are also the target areas of the Spanish utility's investment drive in Latin America. With the acquisition of Enersis, Endesa raises its client base from 14.5m to 18m and its installed capacity from 26,562MW to 33,644MW.

Endesa has held the Madrid stock market regulator that its deal with Enersis hinges on agreed takeover bids for five holding companies - known as Chispas - which are listed in Santiago and together control 29 per cent of Enersis. Sept, the state holding company which owns the bulk of Endesa's stock, will offer Enersis and Chispas shareholders up to 5 per cent of Endesa's shares in

exchange for their equity in the Chilean group.

The deal follows months of negotiations and is the utility's second big acquisition in less than a month. In July, a consortium led by Endesa and Stet, the Italian operator, secured control of Retevisión, Spain's second fixed-line telephone company.

The power group's expansion of its core business into Latin America and its diversification into the telecoms sector comes ahead of the sale of about half of Sept's 66 per cent stake in the company.

The issue, which is scheduled for October, is expected to raise some \$6.4bn, nearly double the amount previously realised by a Spanish privatisation.

• The Spanish government has moved quickly to complete the privatisation of Corporación Siderúrgica Integral (CSI), the last big steel company in state hands in western Europe, writes Vincent Boland.

AIE, the state holding company, yesterday named SEC Warburg as global co-ordinator for the sale of between 51 and 65 per cent of CSI, in a deal expected to be valued at \$1.5bn. It follows the sale earlier this week of 35 per cent of the steel company to Arbed of Luxembourg in an all-share transaction valued at Pta129.2bn (\$828m).

BSV Interactivos and BCI Banco de Inversiones were named as global co-ordinators for the domestic tranche. The deal is expected to be completed this autumn.

## Donna Karan steps up revamp

By Tracy Corrigan in New York

Donna Karan International, the designer clothes company, has warned of further financial problems and extended its management reshuffle in an attempt to tackle deepening losses.

On Monday, Ms Donna Karan, the designer who founded the company, stepped down as chief executive officer, handing the role to Mr John Idol from rival Polo Ralph Lauren. She remains chairman and chief designer.

Late on Thursday, it accompanied dismal second-quarter results with the warning that full-year performance would be "below expectations". It also announced the resignation of Mr Stephen Kuzow, president and chief operating officer.

In the second quarter, net losses were \$14.7m, or 68 cents per share, compared with a loss of \$4.2m or 19 cents a year ago.

The company said the results reflected "the difficult retail environment, particularly in the domestic bridge segment of the market". The "bridge" segment is the company's DKNY label, which is less expensive than its designer label.

The company also attributed the weaker performance to charges associated with restructuring announced in May, the beauty division's disappointing performance and continued investment in infrastructure to support growth.

Ms Karan said the company was "extremely disappointed" with second-quarter results, but said it had taken "decisive action" in appointing Mr Idol.

The new team would "create a new comprehensive strategic plan to build upon the company's current strengths, improve its performance and further enhance our premier Donna Karan New York and DKNY brands".

## KLM closer to Alitalia deal

By Gordon Cramb in Amsterdam

KLM said yesterday it was in "gradually more concrete" talks with Alitalia about bringing the Italian state-controlled airline into the partnership between the Dutch flag carrier and Northwest Airlines of the US.

Mr Pieter Bouw, KLM president, told the NRC Handelsblad Dutch evening newspaper that talks were not yet detailed, but had been going on for 18 months. His comments came two days after KLM and Northwest renewed their troubled eight-year alliance and ahead of Mr Bouw's departure from the top job at the annual meeting on Tuesday.

KLM has long made known its wish to secure a partner to help lift its passenger market share in Europe from 7 per cent. Alitalia, which is emerging from a restructuring, had made clear its interest.

Mr Gian Merie Gros-

Pietro, chairman of Iri, the state holding company which controls Alitalia, said this week that KLM and Air France were in "pole position" for a link-up, and a Dutch partner made better sense because the distance between the hubs of Milan and Amsterdam meant less overlap.

KLM and Northwest also considered Iberia of Spain, which is likely instead to join the big alliance planned by British Airways and American Airlines.

"Then we have Swissair, which I would find a very attractive partner, but which now has an alliance with Delta of the US," Mr Bouw said.

On Wednesday, KLM and Northwest opened the way to a tie-up by agreeing to unwind equity links, settling a legal dispute over control. They extended their operational alliance, until now focused on transatlantic passenger routes, to include flights serving Canada, Mexico and India.

## Bic balked on Sheaffer deal

By Katharine Campbell, Growing Business Correspondent

Plans by Bic of France to purchase Sheaffer, the US fountain pen group, have been put in doubt by a likely management buy-out led by top Sheaffer executives.

Mr Martin Bolland, partner at Alchemy, a UK private equity boutique that would take a majority stake in the buy-out company, said yesterday: "Our view, and that of management, is that there is a high probability they will exercise their right of first refusal over a sale."

Mr Owen Jones, chief executive, and Mr Shane Dolohanty, chief financial officer, were only yesterday given Bic's acquisition plans, despite an announcement on

Thursday, Sheaffer has been put up for sale by its ultimate parent, Gefinor, a Luxembourg merchant bank.

A right of refusal clause was included in a package of incentives granted to Mr Jones and Mr Dolohanty, who were recruited by Sheaffer three years ago from its rival, Parker Pen.

"We would expect to win by matching the exact terms [of the Bic agreement]," Mr Bolland said. No price has been disclosed, but it is understood to be significantly less than Sheaffer's annual sales of \$90m.

Alchemy believes Bic would have no option to return with a higher offer. "We understand this is a true right of refusal, not some sort of auction," said Mr Bolland.

## Hi-tech answer to the call of nature

Japan's Toto is seeking success in export markets - with the electronic toilet seat

The Japanese passion for hygiene and electronic gadgetry has found an outlet in a singular area: high-tech toilets.

Best-selling models have a built-in bidet function, with a hot-air dryer, heated seat and an ozone deodoriser. The attached control panel might look more at home on a microwave oven than in a bathroom.

The market leader is Toto, the world's largest plumbing manufacturer, which has been making high-tech toilet seats called "Washlets" - or "Washlets" for the simpler version, which just have a heated seat - since 1980.



ROGER BEALE

Toto is trying to bring the joys of the Washlet to the wider world. Exports started in 1990, mainly to Japan's neighbours in Asia and to the US. Sales in Asia have been steady and the first overseas Washlet factory is due to open in Malaysia next year. However, apart from Switzerland and an approach from the UK - Toto has found Europe a hard market to crack.

Many visitors to Japan remember their first encounter with a Washlet with some embarrassment: unable to read the instructions in Japanese, they either press the wrong button and are drenched in pulsating warm water, or dare

not press anything and so leave the toilet unfushed. Most foreigners see the Washlet as the epitome of Japanese inventiveness. In fact, the original high-tech toilet was a US invention, the Washair Seat, made by the American Bidet company.

Toto introduced its own version in 1989 and since then has developed its expertise in "aqua-electronics": the application of microchip technology to plumbing.

Each Washlet is fitted with a microcomputer which controls water, air and seat temperature, water pressure and the automatic deodorising system.

Such high-tech hygiene does not come cheap. The most basic Washlet seat, with no deodorising or drying function, will cost at least ¥74,000 (\$625). The most advanced complete toilet, with a full range of Washlet functions built-in - the Neorest EX Mark II - retails for ¥457,000.

It says much for Japanese devotion to cleanliness that more than 30 per cent of the country's households have Washlets, or similar devices made by other companies.

Although Washlets account for only about 10 per cent of Toto's business, strong sales in this area helped the company to net profits of ¥11.9bn last year.

When it came to exports, however, Toto found that its models did not suit American tastes, so it called in an

industrial designer to reshape the Washlet.

The result was Zoe, a relatively basic toilet seat with heating and bidet, retailing at about \$800. Sales in the US have reached several hundred a month and Toto expects the market to continue growing.

Elsewhere in the world customers are offered the domestic Japanese version. Europe is as yet virtually Washlet-free: only the Swiss have shown any enthusiasm - but Toto says interest has been expressed in the UK.

The Washlet has probably now reached functional maturity, says Toto. But the evolution of toilet technology has not stopped. Battery-operated travel Washlet seats are now available, which fit neatly into a handbag, and Toto plans to launch a toilet which carries out medical tests, such as for sugar in the urine.

And the delicate sensibilities of Japanese women have already led to high sales for an electronic device for use in public toilets: Toto's "Sound Princess", which, when a button is pressed, plays the sound of a flushing toilet - to cover any embarrassing sounds the user might make herself.

Bethan Hutton

### FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. All West Securities Ltd. was a co-founder of the indices.

THURSDAY JULY 31 1997									
	US	Day's	Pound	Local	Local	Local	Local	Local	Local
	Dollar	Change	Index	Index	Index	Index	Index	Index	Index
		%							
Australia (70)	240.80	0.0	217.84	180.97	228.75	214.78	-0.0	3.55	240.54
Austria (23)	208.00	0.0	188.32	154.18	198.72	196.60	0.0	1.67	204.75
Belgium (29)	254.80	-0.2	238.70	190.77	243.41	235.31	-0.3	2.87	255.39
Canada (33)	258.33	0.0	237.78	229.28	252.89	252.89	0.0	1.20	260.14
Denmark (27)	222.54	0.1	201.49	168.56	212.51	222.74	0.2	1.64	222.30
France (35)	308.18	0.5	281.40	238.74	301.17	279.94	0.3	1.34	307.07
Germany (38)	312.18	0.0	282.05	233.65	298.12	305.74	0.3	1.33	310.23
Greece (21)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32
Italy (32)	238.42	0.4	215.87	178.44	227.67	227.67	0.3	1.25	237.55
Japan (45)	261.44	2.2	260.34	220.19	258.14	258.09	2.1	2.73	260.50
South Korea (27)	220.27	-1.0	204.57	198.55	210.07	205.99	0.3	1.78	228.24
Spain (28)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32
Sweden (21)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32
Switzerland (16)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32
Taiwan (21)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32
UK (45)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32
USA (45)	222.00	0.0	212.85	175.95	224.49	225.35	0.3	1.21	224.32

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### THE ALL ENGLAND LAWN TENNIS GROUND plc ("Company")

**£2,000 nominal debentures 1996/2000 Series ("Centre Court Debentures")**

Set out below are the prices and dates of the three most recent transactions in the Centre Court Debentures, as notified to the Company.

The amount of £19,625 has been paid up on the Centre Court Debentures.

**£2,500 nominal debentures 1997/2001 Series ("No. 1 Court Debentures")**

Set out below are the prices and dates of the three most recent transactions in the No. 1 Court Debentures, as notified to the Company.

The amount of £9,900 has been paid up on the No. 1 Court Debentures.

**£12,500 nominal debentures 1997/2001 Series ("No. 2 Court Debentures")**

Set out below are the prices and dates of the three most recent transactions in the No. 2 Court Debentures, as notified to the Company.

The amount of £12,500 has been paid up on the No. 2 Court Debentures.

### FTSE GOLD MINES INDEX

	31	on day	30	age	yield %	ratio	High	Low
<b>Bidk Mikes Index (21)</b>	1414.16	+0.0	1412.51	1885.74	2.28	-	2074.81	1270.1
<b>o Highest Indexes</b>								
<b>Nifty (4)</b>	1420.00	-0.1	1430.00	2518.15	5.45	23.38	2775.96	1324.4
<b>Asiabank (8)</b>	1354.40	-0.8	1377.55	2283.46	3.40	17.94	2455.10	1235.1
<b>Nord America (7)</b>	1463.59	-0.2	1463.28	1794.14	1.00	71.57	1891.49	1234.2
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number of companies. Basic US Dollars. Base Value: 1000.00 1/12/82. * Partial. Latest prices								
were unavailable for this edition.								

GNI

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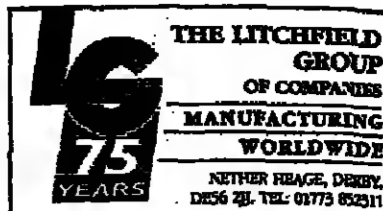
All Futures, Options  
& Margined Forex

Contact: James Allen  
Tel: 0171 337 3990



# COMPANIES & MARKETS

Weekend August 2/August 3 1997



## Minister orders monopolies investigation

### Inquiry into PacifiCorp bid for UK power group

By Simon Holberton and Stefan Wagstyl in London

The £3.65bn (\$5.94bn) bid by PacifiCorp of the US for Energy Group, the UK-based energy company, was referred to the Monopolies and Mergers Commission yesterday by Mrs Margaret Beckett, trade and industry secretary, in a move that surprised investors.

Acting against the advice of the Office of Fair Trading and Ofwat, the electricity regulator, Mrs Beckett said she was intervening out of concern about the UK authorities' ability to regulate Energy Group after the takeover.

Energy Group owns an electricity distribution company and considerable UK generating capacity. It is the first commission reference of a bid in the electricity industry for reasons other than competition.

PacifiCorp's bid lapses automatically, and the decision effectively puts on hold bid activity among UK utilities

until the commission reports. Energy Group's shares fell 27p to 624p compared with PacifiCorp's offer of 690p. One industry observer said: "Investors are deeply disappointed by a political decision that lacks a clear rationale."

Mrs Beckett's intervention follows other controversial decisions affecting corporate activity, including the ban she imposed on Bass's proposed takeover of rival brewer Carlsberg-Tetley, and the referral to the commission of the bid from National Express, the coach operator, for the ScotRail and Central Trains franchises.

Mrs Beckett said yesterday she was concerned about the ability of UK regulators to maintain "adequate regulatory control" over Energy Group once it was absorbed by a PacifiCorp, an Oregon-based multinational utility.

She said the electricity supply industry was of "fundamental importance to the UK economy" and that "wider

public interest" dictated that a reference was warranted.

Energy Group owns Eastern Group in the UK, which is the country's third-biggest fossil fuel electricity generator. It also owns Peabody Coal in the US. Energy Group was demerged from Hanson in February.

Mr Derek Bonham, chairman of Energy Group, said he was "surprised and disappointed" by Mrs Beckett's decision. "Over 61 per cent of our shareholders have already demonstrated their support for this transaction," he said.

A PacifiCorp financial adviser said the US utility would wait until the outcome of the inquiry before it made a decision to rebid for Energy Group. He said the US utility would co-operate with the inquiry. It was unclear how broad the MMC inquiry will be. Mrs Beckett has asked for a report by November 27.

See Lex

## Computer crash halts trading on the Tokyo exchange

By Gwen Robinson in Tokyo

Disarray descended on Japan's equity market yesterday as the Tokyo Stock Exchange suspended transactions in all 1,702 issues linked to its computerised trading system following a mysterious breakdown.

Morning trading was limited to just 150 leading stocks that are handled manually by floor traders.

Trading was also suspended in 724 convertible bonds and some individual stock options, the underlying cash stocks of which were affected by the system failure, discovered just before the market opened. There could hardly be a worse time for an electronic disaster. The recent scandal over cosy links between Japan's leading securities houses and corporate racketeers has driven many individual investors away from the equity market.

The TSE is not only trying to lure them back but is also wooing large financial institutions and brokers with promises of greater efficiency ahead of the government's "big bang" programme of financial deregulation. It was the first time since the introduction of the on-line system in 1992 that the TSE has suspended operations due to computer problems. In 1990, faulty telecommunications cables halted computerised trading for 45 minutes.

But yesterday horrified investors saw the crash of the electronic trading system which connects the TSE's host computer with member brokers. An emergency backup system also failed.

Morning trading volume slid to 123m shares - about half the average level in recent morning sessions. After full trading resumed at 12.30pm, stocks plunged 2.6 per cent on heavy selling linked to the morning slide in Nikkei 225 index futures on the Osaka Stock Exchange.

World stocks, Page 25

Nomura, Page 25

## THE LEX COLUMN

### Labour's power play

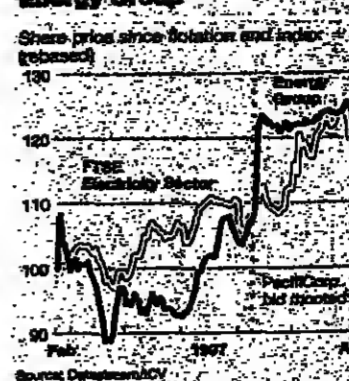
It is hard to make the transition from the rhetoric of opposition to the realities of power in one bound. In opposition, Mrs Margaret Beckett scored points claiming the previous UK government approved US bids for British utilities without proper examination. So now the industry secretary could scarcely wave through PacifiCorp's bid for Energy Group. It seems unlikely she actually wants to block the bid. But how convenient to kick the matter into touch at the Monopolies and Mergers Commission.

The snag is not only that such a ploy is a slap in the face for Mr Stephen Littlechild, the electricity regulator, who was happy for the bid to proceed with conditions, but that transferring the investigation from a specialist body to a Jack-of-all-trades adds an element of unpredictability. While there is no real basis to stop the bid, the commission could tinker with Mr Littlechild's regime for ring-fencing utilities from other businesses within the same group. The regime governing bids long signed and sealed might even be unknipped.

That said, Energy Group shareholders should not be disappointed. The original bid was not terribly generous. And since then, other electricity stocks have soared. Reading across the sector's valuation multiples, Energy Group is probably worth more on a stand-alone basis than the 690p PacifiCorp offered. Grumbling Energy Group shareholders have little to lose by telling the management they expect PacifiCorp to up its offer if the bid is cleared.

FTSE Eurotop 300 index: 996.19 (-2.53)

Energy Group



generation underpins strong dividend growth while also providing the firepower for acquisitions. Second, its competitive cost base is a sustainable source of advantage, given that continuous improvement is deeply embedded in its culture. Finally, the strong retail mix of its business offers protection from margin erosion.

Given the share's robust performance, and Sir Brian's spirited mood, an acquisition looks a distinct possibility. He entered the necessary caveats yesterday about buying only if it boosted shareholder value, but otherwise did nothing to quell speculation. The areas Lloyds most needs to bolster are mortgages and life assurance. With a market capitalisation of around £40bn (\$65bn), little is beyond its reach.

smaller companies at a time when large capitalised international stocks are making the running. But the industry must take some blame for its dramatic long-term decline against unit trusts.

Things are finally getting better. Boards are being persuaded to put pressure on managers to perform. And trusts have developed more efficient mechanisms for retiring shares that trade well below asset value, thereby reducing an oversupply of shares. Furthermore, the arrival of arbitrageurs on the lookout for discounts should mean the sector does not return to the dog days of the early 1980s. But to thrive again, the sector needs to become more innovative and make greater use of its key advantages - gearing and the ability to make long-term bets.

#### Unit trusts

The huge growth of the US mutual fund industry is well documented. Some 37 per cent of households now own a mutual fund, total assets are around \$4,000bn, and the industry has grown at 19 per cent a year in the 1990s. This rapid growth has been an important factor behind the strength of Wall Street. But what of the UK, where over the past year £12bn (\$19.6bn) has flowed into unit trusts, the UK equivalent of mutual funds?

There are similarities with the US. In both cases, equities are favoured because low interest rates provide an unattractive investment alternative. And retail investors are at least partly behind the relative outperformance of large capitalisation stocks, given their preference for tracker funds. But there are also differences, not least the fact that only 6 per cent of UK households are estimated to own a unit trust. Moreover, whereas flows in the US have been largely pension driven, investments in the UK have tended to have their roots in the tax incentives provided by personal equity plans. Although the liquidity impact in the UK has been less pronounced than in the US, it has not been negligible; unit trust buying has at least taken up the slack provided by pension funds, which have been net sellers of UK shares.

Inflows in the UK have clearly been influenced by cyclical factors and, more recently, windfall gains. But structural forces will in future bolster the trend as the UK follows the global trend towards defined contribution retirement provision.

#### Lloyds TSB

Six months ago Sir Brian Pitman was grumbling that Lloyds TSB was on an inferior rating to retailers like Tesco. A rocketing share price has dealt with that problem; like Tesco, Lloyds now trades on a market rating of around 17 times 1997 earnings. What next? Sir Brian is enamoured of Coca-Cola, but even he cannot believe Lloyds deserves a price/earnings ratio of 40.

By some criteria, the share already looks giddy. A price/book ratio of around six times, for example, breaks new ground for UK bank stocks. Yet on a discounted cash flow basis, using fairly sober assumptions, it is possible to come up with a warranted share price of over 900p, against a current price of 730p. There are three main reasons. First, the group's phenomenal cash

#### Investment trusts

We may still be in a UK equity bull market, but it is not helping the investment trust industry. The sector has under-performed the UK market by 15 per cent since 1986, discounts to net asset value are under siege. In the last month, one fund manager was kicked off a trust, Mercury Asset Management pulled a new issue due to lack of interest, and Robert Fleming agreed to wind up one of its largest funds. So in a boom year for UK equities, there will be a net decline in the investment trust sector - the value of new issues will be exceeded by the value of shares retired from the sector.

This is not all the industry's fault. Strong sterling is bad for a geographically diversified sector. And it has a strong bias towards

## Alphatec's finance chief quits 'doomed' Thai group

By Ted Bardackie in Bangkok

Mr Leslie Merszel, chief financial officer of the Alphatec Group, resigned yesterday, saying the embattled Thai electronics group would be "impossible to save".

Alphatec, which builds integrated circuits and accounts for nearly 1 per cent of Thailand's exports, has missed a \$43.6m payment on a eurobond and a \$35m payment to a syndicate of international banks.

Mr Merszel claimed factions of the board of directors of subsidiary Alphatec Electronics had prevented him from putting together a viable rehabilitation plan. His resignation comes just days ahead of Wednesday's bondholders' meeting to be held in Zurich.

Holders of the eurobond will decide at the meeting whether to put the company into

default, which would make its entire \$450m debt due.

Earlier this week, Alphatec said an independent audit mandated by creditors had uncovered \$110bn (\$312m) in "improper transactions" which overstated profits for several years. This led to the resignation of Mr Charn Uswachoke, the group's founder, who had hoped to turn it into one of the world's leading semiconductor manufacturers.

Mr Merszel had been installed by Mr Charn three months ago at the urging of foreign creditors. He convinced them not to call a default, arguing that, with a viable rehabilitation plan in place, they would eventually recover their money. Calling a default could result in the collapse of the company, leaving Thai secured creditors, who are represented on the board, first

in line to recover assets.

In an open letter to creditors yesterday, Mr Merszel said: "Certain directors who are also large secured creditors have an inherent conflict of interest. They have put their own self-interests before those of shareholders, creditors, employees and customers."

Alphatec executives said that, in spite of Mr Merszel's resignation, a draft restructuring plan would still be presented to bondholders under which they would be asked to delay payment for three years. But bankers said they had not seen a rehabilitation plan.

Alphatec Electronics no longer has a chief financial officer. Seven employees in the finance division were suspended following the audit and the discovery of evidence that potentially incriminating documents had been shredded.

#### Companies in this issue

Air Canada	4	Corporate Services	22
Airbus	4	Cubic	5
Alphatec Group	24	DowHirst	22
Amazon.com	7	Dillon	7
BPF	22	EDS	5
BPP	22	Energy Group	17, 24
Bouygues Telecom	1	France Telecom	1, 22
British Steel	17	Gen des Eaux	1
Cavendish	22	ICL	5
Coit Telecom	22	Ireland (WH)	22

#### Markets latest

FTSE 100	996.19	(-2.53)	US DOLLAR	
Yield	3.34		New York lunchtime	1.6325
FTSE Eurotop 300	996.19	(-2.53)	London	1.6375 (1.6375)
FTSE All-Share	3,291.97	(-27.05)	DM	1.6394 (1.6394)
Nikkei	15,954.38	(-60.12)	FF	16.3471 (16.3471)
New York lunchtime	4,132.46	(-12.2)	Sfr	2.4891 (2.4891)
S&P Composite	942.89		Y	163.228 (163.228)
US LUNCHTIME RATES			E Index	105.3 (104.8)
3-m Interbank	7.5%	(Sep 11/97)		
3-m Treasury bill	5.4%			
3-m Treasury note	5.248%			
Long Bond	5.62%			
Y	5.443%			
NORTH SEA OIL (Argus)				
Brent Dated	\$19.26	(18.85)		
Gold	\$324.7	(324.1)		
New York Comex/Aug	\$324.05	(323.58)		
London				
Tokyo close Y 118.0				

### FT WEATHER GUIDE

#### Europe today

Eastern Europe will be unsettled, with rain and heavy thundery showers. Germany, the Benelux, Denmark and southern Scandinavia will be cloudy with rain or drizzle, but it will become brighter in the north-west later. Austria and Switzerland will have sunny spells, with the chance of a few showers. Northern Sweden and Finland will be dry and mainly sunny. Northern France will be cloudy with rain at first, but the rest of France and Italy will be dry with warm sunshine. Iberia and the Mediterranean will be hot and sunny, with isolated showers over Spain and Turkey.

#### Five-day forecast

High pressure will bring fine conditions to most of northern Europe. North and west Norway will have some rain. Rain in eastern Europe will be replaced by drier and sunnier conditions. The Mediterranean will stay hot and sunny. North-west Spain and France will become unsettled, with some heavy thunderstorms.

#### TODAY'S TEMPERATURES

Maximum	Belling	Cloudy 31	Caracas	Fair 32	Faro	Sun 28	Madrid	Sun 38	Rangoon	Rain 30
Celsius	Bellus	Fair 20	Cardiff	Fair 21	Frankfurt	Shower 23	Malajna	Sun 31	Reykjavik	Drizzle 12
sun 40	Belgrade	Shower 19	Casablanca	Fair 27	Geneva	Fair 24	Malta	Rio	Fair 26	
Accra	Fair 21	Chicago	Fair 31	Glasgow	Cloudy 18	Manchester	Sun 28	Rome	Sun 31	
Algiers	Cloudy 20	Cologne	Rain 23	Hamburg	Shower 22	Medan	Cloudy 14	S. Francisco	Sun 22	
Amsterdam	Cloudy 22	Dakar	Fair 31	Hankow	Shower 24	Mexico City	Cloudy 26	Singapore	Cloudy 33	
Athens	Sun 29	Dallas	Fair 35	Hong Kong	Rain 30	Miami	Shower 24	Stockholm	Fair 21	
Atlanta	Sun 32	Dubai	Shower 34	Manila	Fair 30	Montreal	Rain 25	Strasbourg	Rain 23	
B. Aires	Fair 14	Durham	Sun 41	Medan	Fair 30	Nairobi	Shower 24	Sydney	Fair 17	
B.Ham	Fair 23	Dublin	Fair 20	Osaka	Fair 29	Paris	Fair 23	Taipei	Sun 31	
Bangkok	Rain 34	Dubrovnik	Fair 25	Perth	Cloudy 27	Seoul	Sun 29	Tampere	Shower 27	
Barcelona	Sun 28	Edinburgh	Fair 19	Prague	Fair 21	Shanghai	Sun 32	Toronto	Shower 21	
						Singapore	Sun 32	Vancouver	Cloudy 24	
						Sofia	Sun 32	Vienna	Cloudy 22	
						Stockholm	Sun 32	Warsaw	Thunder 20	
						Sydney	Sun 32	Wellington	Shower 10	
						Taipei	Sun 32	Winnipeg	Cloudy 28	
						Tokyo	Sun 32	Zurich	Rain 20	

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## BZW - Warrants

### Spread Warrants

10 Warrants = 1 Spread over 100 shares of BZW

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### Sector Warrants

UK Gaming Basket Derivatives Warrant (10/10/1)

UK Food & Beverage Basket Derivatives Warrant (10/10/1)

UK Engineering Basket Derivatives Warrant (10/10/1)

UK Power and Processing Basket Derivatives Warrant (10/10/1)

### Single Stock Warrants

British American Tobacco (BAT) Warrant

Cable & Wireless Warrant

Stone-Island Warrant

### Prices as at 1/8/97

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### Prices as at 1/8/97

INVESTMENT BANKING. FROM A TO Z

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